FEINTOOL GROUP

EXPANDING HORIZONS WITH FINEBLANKING AND FORMING

Annual Report 2017

FEINTOOL

EXPANDING HORIZONS

KEY FIGURES AT A GLANCE

(ongoing operations only)

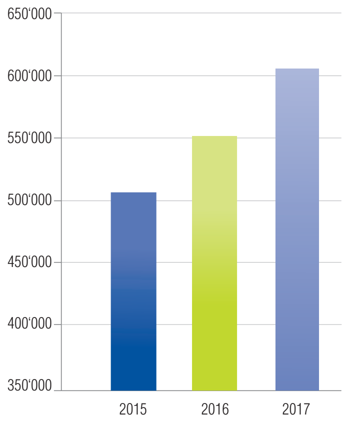
		2017 01/01/–12/31/17	2016 01/01/–12/31/16	2015 01/01/–12/31/15	2014 01/01/–12/31/14	2013 01/01/–12/31/13
Operating figures	in CHF m					
Expected releases – high volume parts manufacturing		264.0	240.9	209.6	213.9	181.0
Orders received third (investment goods)		82.7	57.2	77.2	86.7	77.6
Orders backlog third (investment goods)		38.3	19.1	36.0	32.9	29.9
Net sales		612.3	552.2	508.9	503.4	435.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)		83.2	76.0 [1]	61.4	62.9	47.0
Operating profit (EBIT)		46.3	41.3 [1]	32.9	35.1	20.4
Net earnings		27.7	26.6 [1]	20.1	24.6	14.8
Return figures	in %					
EBITDA margin		13.6	13.8 [1]	12.1	12.5	10.8
EBIT margin		7.6	7.5 [1]	6.5	7.0	4.7
Net return on sales		4.5	4.8 [1]	3.9	4.9	3.4
Cash flow and balance sheet statistics	in CHF m					
Cash flow from operating activities		38.5	74.1	40.1	50.8	49.4
Cash flow from investing activities (net)		-77.1	-59.4	-29.9	-12.1	-34.9
Free cash flow		-38.6	14.7	10.2	38.7	14.6
Total assets		597.4	530.7	426.9	427.4	398.9
Equity		255.2	229.9	207.9	202.9	183.8
Liabilities		342.2	300.8	219.0	224.6	215.1
Net debt		81.9	16.2	11.1	9.3	33.0
Equity ratio		42.7 %	43.3 %	48.7 %	47.5 %	46.1 %
Gross investments		60.1	74.9	31.8	43.4	36.6
Key figures per share	in CHF					
Earnings per share (basic)		6.22	5.97 [1]	4.51	5.53	3.53
Dividend per share		2.00 [2]	2.00	1.50	1.50	1.20
Equity per share		57.19	51.61	46.72	45.55	43.80
Other						
Number of employees at year-end (excl. apprentices)		2 485	2 239	2 049	1 987	1 818

[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.

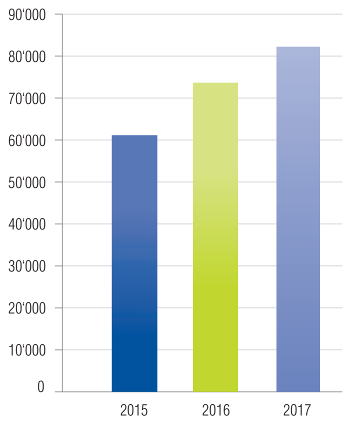
[2] Board of Directors' proposal

With an increase of around 11 percent, Feintool ups its sales in the reporting year. EBIT grew by 12 percent.

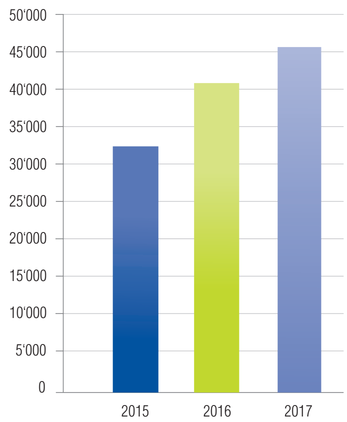
Netsales
in kCHF



EBITDA [1)]
in kCHF



EBIT [1)]
in kCHF



[1)] Last year, the Swiss pension fund adopted a change in policy that had a positive effective of kCHF 7 083 on the statement of comprehensive income in accordance with IAS 19. The EBITDA and EBIT are shown in this overview without this effect.

ALEXANDER VON WITZLEBEN KNUT ZIMMER

Dear Shareholders, dear sir or madam,

We are pleased to be able to report good news again this year:
Feintool was able to increase sales and profit again in 2017. We owe this success to our long-term strategy and a good market environment.

Sales of the Feintool Group increased year on year by 10.9 percent to CHF 612.3 million. Adjusted for currency effects and excluding the acquisition effect, this corresponds to organic growth of 8.1 per cent. The Group result – excluding the special effects from the previous year – rose slightly to CHF 27.7 million. The equity ratio amounted to 42.7 percent. We would like to share this success with our shareholders, which is why the Board of Directors will propose a dividend of CHF 2.00 per share at the General Meeting.

Good news from the segments

The System Parts segment – the division in which we manufacture fineblanking and forming parts for industry – is a key driver of this success. This is mainly due to the good economic situation of our largest customer group, the automotive industry. Worldwide automobile production increased again in 2017 – and so did the demand for fineblanked com-ponents used in motor vehicles. In addition, there is a tendency to equip more and more passenger cars with automatic transmissions. This opens up new sales opportunities for Feintool and encourages trends in the direction of CO2 re-duction, energy efficiency and lightweight construction. The increasingly smaller, lighter and therefore more complex components can be produced precisely and economically in large quantities by fineblanking.

The fineblanking press and tool business in the Fineblanking Technology segment developed positively. In 2017, the area booked the most orders received in 8 years. This gave press construction a strong start in 2018, which is gratifying since it is the driver of innovation at our company and an important pillar of our technological leadership. Currently, it accounts for a good 10 percent of Feintool sales, which is partly due to the strong growth of the System Parts segment and simultaneous market consolidation on the customer side. Against this background, we are well positioned and will continue to expand our position in the coming year with numerous new developments.

Systematic investment

We owe our success to our focused, long-term strategy, which we have been consistently implementing since 2010. We have been concentrating on fineblanking and forming in terms of technology as well as the international markets of Europe, North America and Asia since then. All our activities are aimed at steadily consolidating and expanding our position within these technologies and markets. In 2017 alone, we invested around CHF 90 million (with the inclusion of an acquisition). This amount was mainly used for expansion of the new production sites in Tianjin, China, Oelsnitz, Germany and Most in the Czech Republic. At this point, I would like to highlight our new plant in China, since it has closed an important strategic gap. This is because we also now have forming in China, thus offering this technology worldwide and yet again increasing our vertical integration.
The investments are fully in line with the Feintool strategy of producing wherever our customers are located. And with the new plants, Feintool is meeting the rising demand in these regions of the world.

Stable environment

Events that have defined public perception and the news in 2017 have had little or no impact on Feintool. This can be seen, for example, in the manipulation of exhaust gases in diesel vehicles. A shift in automobile production towards gasoline engines is hardly of any significance for Feintool, since the demand for fineblanking and forming parts in vehicles is independent of the fuel. Protectionist tendencies in the US also had no impact on Feintool, since we are not an importer, but rather a net exporter.

Our largest customer group, the automotive industry, is currently characterized by major changes – above all by the discussion on electrification. However, this development has hardly had any effect on Feintool at the moment, since classic drive concepts based purely on combustion engines are currently being installed in more than 95 per cent of all automobiles worldwide. Forecasts show that these will also account for the lion's share of production in the short and medium term. However, their share is expected to decline gradually over the next few years, mainly in favor ofhybrid drives. Since these always include an internal combustion engine with a corresponding drive train, we expect that the current demand for fineblanking and forming parts will therefore remain uninterrupted. At the same time, we are looking at new long-term developments in drive concepts and are preparing for them. New application options are opening up for fineblanking technology, and we have already been able to prepare for them with a large number of development projects – also in cooperation with customers and suppliers.

Our chassis and interior design business is also continuing to grow. Thanks to the development towards autonomous driving and increasing networking, car drivers will be able to devote themselves to activities other than steering the vehicle in the future. This will also bring about extended fields of application for fineblanking technology. Increased comfort is accompanied, for example, by a finer seat adjustment mechanism, for which Feintool supplies the necessary parts.

Knut Zimmer is the new CEO

An exciting and successful future is awaiting Feintool, and Knut Zimmer will lead us into it as CEO. This is someone from inside Feintool who is moving into the top management position and has already had great success for the Group in recent years. He joined Feintool in 2012 as part of the acquisition of Herzing + Schroth GmbH u. Co. KG (today Feintool System Parts Obertshausen GmbH). After the completion of the integration, he successfully managed the new Forming Europe area created by the acquisition, and furthermore Knut Zimmer has also been responsible for the entire European Parts business of the Feintool Group since 2017.

With him as the new CEO, we are therefore focusing on continuity. It is his task to continue the Group's growth strategy and to ensure that the new locations in 2018 achieve the same level of capacity utilization and profitability as the existing plants.

Outlook and thanks

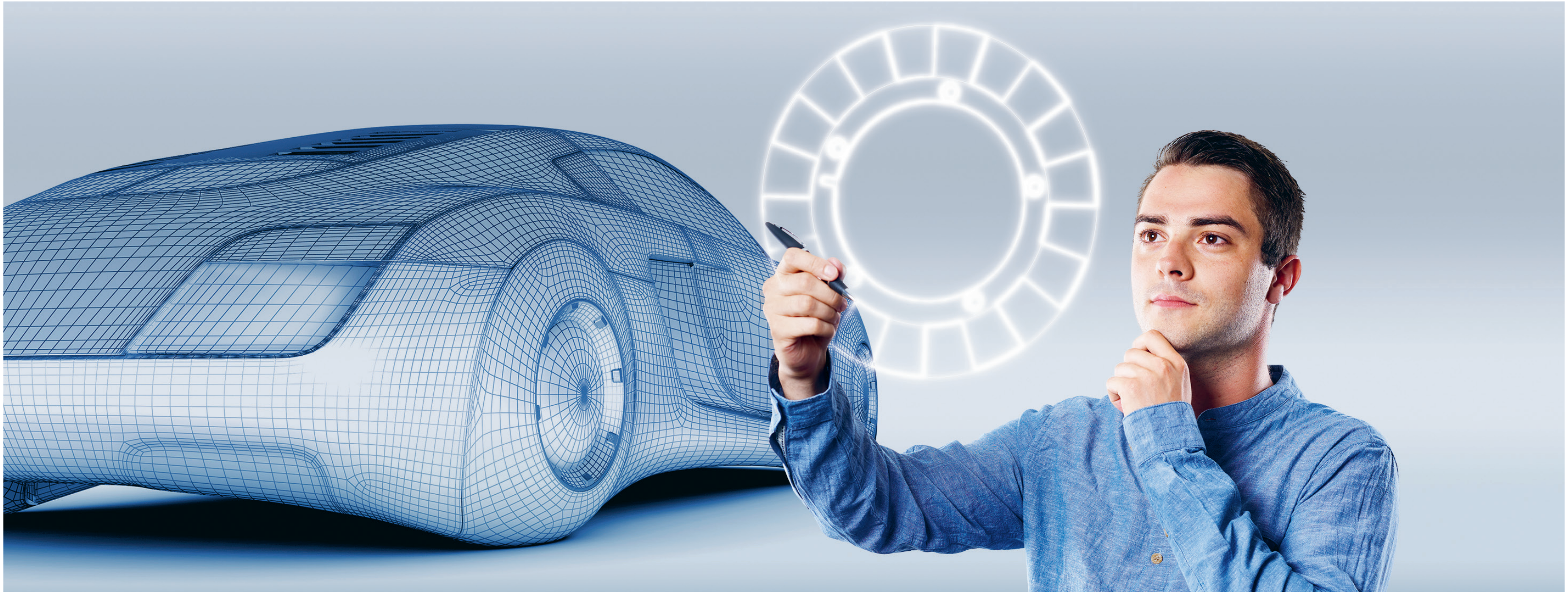
We expect the positive development of business to continue in financial year 2018, although in a market environment characterized by political uncertainties. Overall, we expect sales of CHF 630 to 650 million and an EBIT margin of 7.5 to 8.0 percent.

We would like to thank our customers, suppliers and shareholders whose confidence in us always motivates us to put our claim of "Expanding Horizons" into action. This is made possible every day by our employees who also deserve our special thanks. With them we will have a successful 2018.

ALEXANDER VON WITZLEBEN
Chairman of the Board of Directors

MARKET REPORT

Feintool finds ideal framework conditions for continuing to operate successfully on the market. This is due to the ongoing global economic upturn and, in particular, the good situation in the automotive industry, Feintool's largest customer group. At the same time, this situation is dominated by changes that open up new opportunities for Feintool.



Rising global economic growth offers Feintool an excellent starting point: In 2017 global growth rose by 3.6 percent according to the International Monetary Fund, and the organization expects an increase of 3.7 percent in 2018. Above all, Feintool's largest customer group, the automotive industry, continues to grow. According to the market research agency LMC Automotive, worldwide production of cars with a gross weight of up to 3.5 tons grew by roughly 2.4 percent relative to the previous year. In Feintool's core markets of Europe and Japan, they increased by 3.4 percent or 5.2 percent. In China, by contrast, automobile production only reported a relatively slight increase of 1.4 percent, while it declined by 8.1 percent in the US. Nevertheless, Feintool was able to gain market share in these last two countries and thus continue to grow, due in particular to growth in the important SUV segment (USA: +1%, China +46%, global +14.1%) and in the area of all-wheel-drive vehicles (USA +0.4%, global +4.4%). This is due to Feintool's strengths, particularly in an environment defined by consolidation and cost pressure. Finally, fineblanking technology offers solutions to increase efficiency – while maintaining or even increasing quality.

Upswing and change

The ongoing economic development suggests that 2018 will also be a successful year for Feintool. Market analyses by BMI Research and the Center for Automotive Research (CAR) at the University of Duisberg-Essen predict that global passenger car sales will continue to grow dynamically in 2018. At the same time, the automotive industry is undergoing radical change, which will lead to long-term shifts in coming years. Trends toward hybrids and electric drives, CO2 reduction and lightweight construction, car sharing, autonomous driving, networking and increasing cost pressure in production are determining market developments.

Alternative drives

OEMs have increasingly focused their development efforts on electrification for several years now. This is partly due to ambitious political objectives: In the EU, for example, CO2 fleet emissions are to be reduced by a further 30 percent by 2030 compared to the targets for 2021. Several countries, most recently India, have announced that they intend to ban pure combustion engine vehicles in their respective markets by a time horizon from 2025 or 2030.

On the way to complete electrification of private transport, a large part of the new vehicles will include hybrid tech-nology. While the global share of production of hybrid drives for passenger cars and light commercial vehicles of up to 3.5 tons in 2017 was 3.3 percent, this figure will rise to well over 11 percent by 2022 according to LMC Automotive. In its report "The Electric Car Tipping Point," the Boston Consulting Group expects a market share of 18 percent for hybrids by 2025. By 2030, this share is expected to have risen to 34 percent.

This development is positive for Feintool in several regards.

- Hybrid systems always include an internal combustion engine as well as an automatic transmission and additionally system-specific, rotationally-symmetric, mechanical components. This opens up numerous sales opportunities for Feintool.
- The electrification of the powertrain offers new possibilities for Feintool in innovative components. In development projects – also in cooperation with suppliers and customers – Feintool is working on fineblanking technology for new components.
- Increasing electrification will boost the global production of components with volumes that were previously too small and thus too uneconomical for Feintool technology, for example, components for battery cooling or for hydrogen cells. Their increasing production volume predestines them for Feintool's production processes.

Despite the progressing electrification, the internal combustion engine will continue to account for the majority of the production volume in coming years. According to LMC Automotive, the production share of pure gasoline, diesel and gas drives in cars of up to 3.5 tons will be 94.4 percent in 2018. Over the next five years, it is expected to decline continuously. According to the forecast, however, it will still be 84.2 percent in 2023. This means that the demand for fineblanking and forming parts, also in their current form, will remain at a high level.

Energy efficiency and lightweight construction

For some years, the automotive industry has been experiencing a trend towards lightweight construction in order to reduce CO2 emissions. This makes components in automobiles smaller, lighter and at the same time more stable. As they become more complex to produce as a result, there are numerous opportunities for Feintool and fineblanking technology, which is impressive thanks to its high precision and cost-effectiveness.

Autonomous driving

2018 will be a key year for self-driving automobiles: Level 2 technology will continue to spread and the first vehicles will reach autonomy level 3. In a study, the management consultancy A.T. Kearney has found that: autonomous driving time – the minutes when the artificial intelligence of the on-board computer takes over the wheel – will reach 87 billion minutes by 2025. By 2030, cars could then already be on the road in "self-driving" mode for almost 1.9 trillion minutes worldwide. By 2035, it should be over 5.1 trillion minutes.

The greater autonomy also increases the complexity of the vehicles. For example, automatic transmissions are be-coming the standard, which represent an important sales market for Feintool. Likewise, all-wheel drive is increasingly finding its way into all vehicle classes, since it allows an extended control panel for autonomous applications, among other things. Feintool is also well positioned in these products to keep up with the trend and to help shape it.

Shared mobility

In all forecasts, the market for sharing services will grow strongly in the coming years. Here, it is not the vehicle, but rather the service of passenger transport that is sold. For example, market researchers at Frost and Sullivan expect the number of participants to grow by 16.4 percent per year between 2015 and 2025 – from around 7 million to to a global total of much more than 30 million users. The auditing and consulting firm PwC predicts that every third kilometer driven in Europe will be covered by sharing in 2030.

This implicitly means that fewer vehicles have to be registered in the corresponding areas at the same time and therefore fewer vehicles will tend to be sold. On closer inspection, however, this should be relativized. The following points underscore why the market for automobiles will continue to grow.

– During the same period, vehicles used for shared mobility services cover considerably longer distances than a private vehicle driven only by the owner. This means that the wear limit is reached earlier and a new vehicle has to replace the old one after a shorter period of time. PwC predicts that the number of new registrations per year in Europe could increase by one-third to more than 24 million cars by 2030. This is the only way to compensate for the additional wear and tear caused by car sharing.
– Consumers often do not see car sharing as a substitute for their own car, but as a complement. Example of Germany: In its report "Beyond the Car," the consulting firm Capgemini determined that every second German mobility offer such as car sharing is seen as complementary to one's own car.
– The individual mobilization of emerging markets is far from complete. PwC estimates that the growth markets from 2016 to 2023 will lead to an increase of 18.8 million vehicles in annual passenger car production.

It is important for Feintool to be present in all important production markets in this constellation or to be able to supply them very easily. The company's global presence close to customers will therefore be promoted both by means of strengthened key account management and the further expansion of its worldwide locations.

Networking

As autonomy increases, the digital networking of automobiles is likewise making great strides. The consulting firm Deloitte expects the European market for Connected Car Services (CCS) to grow more than eleven-fold by 2021 – from EUR 62 million in 2016 to an estimated EUR 715 million in 2021.

Thanks to the increase in autonomy and networking, drivers will be able to pursue other activities in the future, such as answering emails or watching movies. For this reason, vehicle interiors are expected to become even more versatile. This where Feintool comes in: Greater comfort goes hand in hand with, among other things, a finer seat adjustment mechanism so that drivers can easily change from a driving position to a working or relaxing position. This can be ideally achieved with fineblanking technology in large volumes.

Efficient production

The automotive industry is constantly expanding its model range in order to be able to serve customers in the best possible way. According to estimates by the US investment bank Merrill Lynch, newly introduced models will account for 21 percent of US car production annually between 2018 and 2021. Between 1998 and 2017, this rate was only 16 percent. The average service life of a model on the market is thus decreasing. Because model platforms are expensive, the pressure to standardize and keep their number low continues to increase. Basically, the automotive industry is under great cost pressure, which affects the entire supply chain from OEMs to parts suppliers. Fineblanking technology is an important lever for the precise and economic production of complex components in large quantities here.

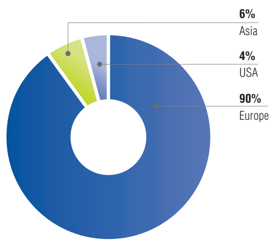
Outlook

The forecasts show that Feintool is operating in a favorable market environment. The growth in automotive production and change in the industry will enable Feintool to gain additional market share in its core business and to develop new business sectors with a focus on the major trends. Against this background, Feintool is more than confident about the future.

FINEBLANKING TECHNOLOGY SEGMENT

In 2017 press production booked the highest orders received in three years. This development is even more satisfactory, given customers' reluctance to invest in the previous year. All the new orders show that Feintool is well positioned on the market. New developments and services will also ensure further, sustainable growth in 2018.

Income by region
Fineblanking Technology



The Fineblanking Technology segment started 2018 with a tailwind. This is due to the brisk new business from the previous year: In 2017, press production booked the most orders received in 3 years. This development is all the more gratifying as customers showed restraint in 2016. This had an impact on financial year 2017, when sales remained stable at 91.4 million.

Long service life and higher performance

The result is attributable to several developments. In recent years, a market consolidation on the customer side has basically reduced the number of potential customers for fineblanking presses. Added to this is the long service life of the systems. Thanks to Feintool's research and development expertise, the new presses have become significantly more powerful. Supported by tool technology, it was possible to increase the number of parts per stroke. As a result, the production systems have become much more efficient and an XFT 2500speed replaces two older production systems today. The good results in 2017 and the large number of orders received testify to Feintool's strong market position. Orders for the XFT2500 speed alone rose by around 50 percent compared to the previous year. This shows that the model has established itself, and the investments in servo technology have paid off.

Good situation worldwide

The European market above all – and Germany in particular – was characterized by a particularly large number of orders received in 2017. Simultaneously, US business performed better than expected and reported an increase in business. This is due, among other things, to modernization at existing customers that have updated their Feintool presses to the latest standard. In Asia, above all China and Korea have developed positively, while business in Japan remained stable at a modest level. This is due to the increasing deindustrialization of Japan. Korea's production capacity remains very strong in comparison; in the growth market of China, industrialization is progressing. The quality requirements of Chinese customers are also increasing with this industrialization. Because the Chinese automobile market has over-capacities in production despite rising sales figures, increasingly more manufacturers are trying to position themselves above their competitors by offering higher quality. In the process, they rely, among other things, on technology solutions from Feintool.

New developments

The year 2017 was marked by intensive research and development projects that will be launched on the market beginning in 2018 and ensure further growth. As a result, the segment increased its R&D investments to reach CHF 6.0 million. In order to position itself optimally for the future, the company also modernized its press building in Jona, Switzerland, last year and continued to focus on research cooperation with partners from the scientific community and industry. One example of this is the fineblanking working group in the Machine Tool Laboratory at the German RWTH Aachen Uni-versity. Feintool co-founded the world's first research community for fineblanking in 2016, which grew by four members the following year. The 36 partners in total come from all areas of fineblanking. In the first year, they implemented the research projects "Fineblanking with Tungsten Carbides" and "Study of Edge Feeds" as well as a study on the effects of electromobility on the fineblanking industry.

Feintool has also equipped the Machine Tool Laboratory with a new XFT 2500speed in order to research the use of Industry 4.0, big data and artificial intelligence in fineblanking. The goal is to develop an assistance system that guarantees optimum production. Together with the Jiatong University in Shanghai (China), Feintool has also developed the mobile app FEINrubert, which uses a photo to provide information on the smooth cut portion of a fineblanked component. The app has also been available in China and the Apple App store worldwide since 2017. Feintool has worked with the ETH Zurich to promote a research project on fuel cells and bipolar pallets.

Optimized services

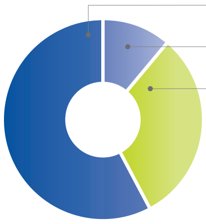
In 2017, the new logistics center near Frankfurt was opened, which will strengthen Feintool's spare parts business. The location will serve customers around the world faster and more reliably thanks to high warehouse availability and optimal logistics processes. The inventory covers 6,000 different articles, and 80 percent of all requested spare parts are available from the warehouse.

In view of all these activities and the orders received so far, the Fineblanking Technology segment expects positive business development of in 2018.

SYSTEM PARTS SEGMENT

Existing plants are working at full capacity; new locations are being developed. The business in fineblanking and forming parts remains an expanding sector. This is due in part to the worldwide increase in automobile production.

Income by region
System Parts



The System Parts segment is driving the growth of the entire Group, and accounted for 89.4 percent of the Feintool Group's total sales in 2017, compared to 87 percent in the previous year. This development can be attributed to the segment's long-term growth path. With sales of CHF 548 million, the fineblanking and forming parts business has grown significantly compared to the previous year. The increase was 14.3 percent. This is mainly due to the good economic situation in the automotive industry, which is the largest customer group in the segment. Feintool reported numerous production start-ups; deliveries of ready-to-install parts for all-wheel drive components increased in particular in 2017. The increase in the number of alternative drives also had a positive effect on earnings. For example, the quantity of components sold for hybrid drives increased – although it remains at a relatively low level.

Good results worldwide

In light of this good situation, the existing European Feintool plants – especially the German locations – were more than fully utilized in 2017. This reflects the strong position of the European automotive industry. German OEMs

and their component suppliers in particular reported an all-time high in terms of sales in 2017. The only major challenges facing the segment in Europe came from an increase in steel prices in the first half of 2017. Feintool succeeded in passing on part of the cost increase to customers.

At the same time, China is becoming more and more important as a sales market, since it increasingly produces passenger cars in the premium segment. A large number of fineblanked components are installed in their transmissions. This gives rise to particularly high potential for Feintool in China.

In Japan, the System Parts segment's sales and earnings remained stable at a high level. This is particularly satisfying in view of the demographic change in the country, which is leading to fewer and fewer car buyers. In this situation, Feintool maintained its market position and reported highly profitable business.

Sales and earnings also remained stable in the US. In light of the saturation of the US automotive market, this shows that Feintool is optimally meeting the needs of its customers in the US.

Systematic investment

In order to meet the high global demand for Feintool products and enable further growth, the company continued its expansion strategy in 2017. It focuses on the core markets of Europe, North America and Asia. With the forming plant acquired in Tianjin, Feintool is responding to the increasing demand on the Chinese market and closing two strategically important gaps. On the one hand, Feintool now also offers forming technology in China and, on the other, the company has now opened up the north of the country. Two forming presses went into production in 2017; a third press will follow in 2019, and a fourth is planned. The plant will be further expanded for this purpose.

Feintool has also invested in Europe in order to better serve the growing automotive market there. In 2017, we began the construction of a new plant in Most in the Czech Republic, located between Dresden and Prague. The new location will contain the entire fineblanking process, with a focus on high-volume parts production and spare parts. When production starts at the end of 2018, around 60 employees will be working there.

In the US, Feintool opened a new sales and development office near Detroit in 2017. Feintool is thus moving as close as possible to its US customers. The goal is to work even more intensively with OEMs and tier 1 partners in research, development and sales.

Expanded value added

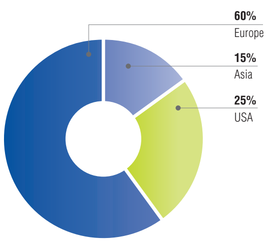
Feintool is continually expanding its range of services for its customers and thus opening up new business areas: This includes, for example, supplementary manufacturing processes such as hardening, welding and grinding. The company is thus responding to customers who are increasingly demanding development know-how and manufacturing compe-tence from a single source. In this way, Feintool succeeds in winning new customers and strengthening customer loyalty. As an additional process, for example, Feintool offers double-disk grinding worldwide with the same high quality and efficiency. This was initially introduced in Lyss as a post-processing method for valve plates and rolled out in Taicang and in Cincinnati for the production of camshaft adjuster covers. Double-disk grinding is also planned at the new location in Most. The method of setting up a production process at one location and then rolling it out at other plants promises the highest possible efficiency.

Thanks to all these activities, the System Parts segment will continue to grow in 2018.

HUMAN RESOURCES

Feintool owes its success primarily to its employees, whose numbers have risen as a result of the company's growth in 2017. In order to take advantage of the diversity of the globally present Group, Feintool again relied on the deployment of staff and the transfer of know-how between locations in the past year. Feintool also introduced the dual training system in China.

Employees by region
in % (from a total of 2 485 excluding apprentices)



Financial year 2017 was also characterized by strategic investments in China and the Czech Republic, which will further strengthen Feintool's competitiveness. These expansions are one of the main reasons for the growth of the Group's workforce. At the end of 2017, Feintool employed 2,485 people – 10.9 percent more than at this time last year.

Focus on dual training

Since Feintool's success depends primarily on the skills of its employees, the Group continued to promote excellent training and professional development in 2017. In training, Feintool relies on the dual system, which is an apprenticeship consisting of theory at an external educational institution and practical experience in Feintool companies. This model has also been introduced by Feintool in China in 2017, where the dual system is still relatively uncommon compared to Switzerland. The company has entered into a partnership with the Chein-Sung Institute of Technology in Taicang to train press and grinding machine operators and toolmakers. Feintool is also expanding its training activities at other locations worldwide: In the course of the modernization of the press building in Jona, Switzerland, the company introduced two new training spots for "Automatiker EFZ" [Automation Engineer - Basic Training]

in 2019. The German plants in Obertshausen and Ohrdruf were honored by the Offenbach Regional Chamber of Industry and Commerce for their commitment to training. The first mechanical engineering student is expected to complete her dual degree at the Ettlingen location in Germany in mid-2018. The dual degree course in mechanical engineering was offered there for the first time in 2015.

Positioning as an attractive employer

In order to meet the demand for skilled workers, Feintool is presenting itself as an attractive employer at trade fairs and other events. The Obertshausen and Ohrdruf locations have been using a new trade fair booth for this purpose since September 2017. The Jena location was involved in the "College on Tour" initiative of the East Thuringia Chamber of Commerce and Industry in Gera for the third time. Here, young people find out which occupations suit them and es-tablish contacts with companies. At Feintool, nine students tried out apprenticeships, and many more were able to submit applications for internships, holiday jobs or training.

Continuous professional development

Just as important as training is the professional development of employees. In order to develop them professionally and personally, training courses are held worldwide on the basis of annual training plans and individually identified professional development needs arising from the performance reviews. The training courses impart job-specific knowledge, leadership skills and knowledge on environmental protection, occupational health and safety.

Success thanks to diversity

Thanks to its worldwide presence, Feintool also benefits from the diversity of its employees. People with different cultural and professional backgrounds, approaches, ideas, working methods and competencies work together at the locations on all continents. This diversity results in great potential. In 2017 Feintool therefore continued to promote worldwide exchange and know-how transfer within its workforce. Future employees of the new Most (Czech Republic) location were trained and given orientation at the German Feintool plants in Jena and Oelsnitz. Employees from Ger-many and Japan also went to China to help build the new plant in Tianjin and support the existing production facilities in Taicang. Most deployments of staff are planned for multiple years in order to achieve a lasting effect.

Employee satisfaction

Employee satisfaction plays an important role for Feintool. The results of the 2016 employee survey therefore led to numerous measures at the locations last year. These include, for example, management training at the Jena, Obert-shausen and Ohrdruf plants in Germany, a shift plan tailored to the needs of employees in Ettlingen, a family day, a career development program for young employees in Taicang, China, and a program to honor the special achievements of individual employees in the US. A worldwide satisfaction survey by the "Great Place to Work" Institute is planned for 2018.

SUSTAINABILITY

As a globally active, specialized supplier for the automotive industry, Feintool also plays an important role in the global supply chain from an environmental point of view. For this reason, the Group is making its contribution to reducing CO2 emissions from vehicles and increasing energy efficiency.

Feintool's competitiveness depends, among other things, on how the Group responds to the trend towards reducing CO2 in its largest customer group, the automotive industry. This will continue to affect the industry, due to an increase in environmental awareness among consumers and political initiatives. In Germany, for example, 51.94 percent of con-sumers in 2017 regarded low CO2 emissions as an important or very important criterion for purchasing a car. The results of the 2018 Consumption and Media Analysis (Verbrauchs- und Medienanalyse, VuMA) are slightly above the previous year. The environmental awareness of consumers in the US is also rising: According to the market research institute Nielsen Scarborough, 35.48 million people said in the spring of 2017 that they would spend more money on environ-mentally friendly products and services; that is 2.75 million more than in the spring of 2011. The social sentiment is also reflected in politics: In the European Union, there is a CO2 upper limit for passenger cars and light commercial vehicles, which is currently 130 g CO2/km on average for new cars. This value will be reduced to 95 g CO2/km in 2020.

Role in the automotive industry

As a result, passenger cars are subject to lasting changes, for example, by making use of smaller and lighter com-ponents or increasingly producing vehicles with hybrid drive systems. Feintool offers the right technologies to produce the required components precisely and economically. This is done in such a waythat the natural resources for the production processes, products and services are used as carefully and prudently as possible, and always in a way that reduces the consumption of raw materials. This is because 20% of CO2 emissions in a car's life are already generated during production – before it has even traveled one mile. As a specialized supplier of leading OEMs on all continents, Feintool therefore plays a special role in the global supply chain from an environmental point of view. The company is aware of its responsibility and is committed to fulfilling it conscientiously.

Carbon disclosure project

Feintool has already significantly reduced its own energy requirements and CO2 emissions in recent years and is con-stantly initiating new projects to this end. The Group regularly shares its environmental data with the International Carbon Disclosure Project (CDP). Feintool supports the CDP in creating the world's largest database on climate-damaging greenhouse gas emissions and water consumption. This source of information is used by Feintool itself to compare progress against other companies, identify further cost savings potential and develop strategies to control and reduce greenhouse gas emissions.

All companies in the Feintool Group are certified according to the international environmental management standard ISO 14001:2004; the German locations are also certified for their energy management according to the standard ISO 50001. Each location is personally responsible for developing their environmental managemen furthert. This is in line with the company's guidelines.

Code of Conduct

The conduct of all employees is crucial for the company's reputation as well as for the trust placed in Feintool by customers, suppliers, business partners, shareholders and the public. In order to meet the expectations of all these stakeholders and to create a responsible and sincere corporate culture, Feintool has formulated a code of conduct. These binding guidelines are valid throughout the Group and can be viewed publicly at www.feintool.com. Feintool trains all employees regularly to ensure that the code of conduct is anchored in their awareness and adhered to. All these activities serve one goal: to actively ensure Feintool's responsibility for the environment and society.

FEINTOOL GROUP

Sales increase organically by 8.1 % in local currency;
EBIT rises organically by 15.7 % in local currency.

FINANCIAL REVIEW

as at December 31, 2017

BUSINESS PERFORMANCE

General

The consolidated annual statement for 2017 applies to Feintool International Holding AG and all its subsidiaries. It covers the period from January 1 to December 31, 2017.

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. This company uses transfer presses to manufacture forming parts for the automotive industry and has generated sales of CHF 11.6 million and a negative EBIT of CHF 2.0 million since its takeover. This acquisition allowed Feintool to close the strategic gap in its offer of forming applications in Asia.

In the summer of 2016 the Board of Trustees of the Swiss pension fund, together with Feintool, adopted a resolution to restructure the pension fund. The restructuring will take place, on the one hand, by increasing the contributions received by the founding company during the coming years and, on the other hand, by gradually reducing the conversion rate for future retirement pensions. The restructuring had a one-off positive effect on personnel costs in the amount of CHF 7.1 million in the comparative year. The following explanatory remarks refer – unless expressly otherwise stated – to Feintool's business without this one-off effect.

In the year under review, the Euro strengthened considerably against the Swiss franc (at year end: +9.0 %). In some cases, this resulted in substantial valuation differences in the financial statements.

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 does business in investment goods, increased by a total of 17.2 % to CHF 100.6 million (previous year CHF 85.8 million), with CHF 17.9 million stemming from the System Parts segment, which was significantly less than in the previous year (CHF 28.6 million). Third-party orders received thus rose substantially by 44.5 % to CHF 82.7 million (previous year CHF 57.2 million). Accounting for a 17.8 % share (previous year 33.3 %), the System Parts segment retains its position as the largest customer.

The orders backlog rose by a total of 29.4 % to CHF 45.4 million (previous year CHF 35.1 million) as a result. The orders backlog for internal orders, on the other hand, fell by 50.0 % to CHF 7.1 million. The third-party orders backlog doubled as a result to 38.3 million (previous year CHF 19.1 million), equivalent to just under eight months' worth of work for the long-term press business. This means that there is a stronger starting position for press building in financial year 2018.

The expected releases in the high-volume parts segment for the next six months amount to CHF 264.0 million. This represents an increase of 9.5 % over the previous year, with CHF 3.9 million involving the new forming plant in Tianjin. Accordingly, Feintool's customers expect a very satisfactory business development in all regions for the next six months

Net sales

Consolidated sales rose by 10.9 % to CHF 612.3 million (previous year CHF 552.2 million). In the year under review, currency movements supported growth with an effect of CHF 3.7 million, or 0.7 percentage points. The acquisition of the Chinese forming plant contributed CHF 11.6 million or 2.1 percentage points. In local currency, Feintool therefore achieved 8.1 % organic growth in sales. This development was made possible by a good economy in the automotive industry and increasing volumes of new products. The System Parts segment generated 89.4 % of third-party sales (previous year 86.8 %) and was responsible for the growth. Fineblanking Technology showed stable sales which contributed 10.6 % (previous year 13.2 %) to the total. When intragroup sales are included, the share accounted for by the Fineblanking Technology investment goods segment totaled 14.3 % (previous year: 16.2 %). The parts business will continue to drive Feintool's growth in the future.

11.0 %

Organic growth
of the high-volume parts segment

Sales in the System Parts segment rose by 14.2 % to CHF 547.4 million in the financial year (previous year CHF 479.3 million). The positive currency effects totaled CHF 3.8 million; the positive effect of the acquisition amounted to CHF 11.6 million. In local currency, growth in the segment reached 13.4 % or 11.0 % without the acquisition. The sales in Europe increased by 25.0 % to CHF 315.9 million, which includes a positive currency effect of CHF 6.0 million. In local currency, the growth was therefore high at 22.6 %. The business in North America reported a 2.6 % drop to CHF 171.8 million. The currency effect of the US dollar negatively impacted sales by CHF 1.2 million, thus ultimately resulting in a drop of 1.9 % in local currency. As a result, Feintool's sales declined less than the American market as a whole (-3.7 %). Sales in Asia rose by 20.7 % to CHF 61.0 million. The acquisition of the forming plant in China had a positive effect of CHF 11.6 million. On the other hand, currency movements decreased sales by CHF 1.0 million. Asian business excluding currency and acquisition effects remained at the previous year's level, with a shift of roughly CHF 2.0 million from Japan to China. Due to many localization projects by Japanese automakers, vehicle production in Japan has been stagnating for several years. The share of sales generated by European locations for the parts business thus rose to 57.7 % (previous year 52.7 %), since European companies grew significantly faster than the Group average. The share of sales by subsidiaries in the US fell to 31.4 % (previous year 36.8 %). The Asian share remained almost unchanged at 10.9 % (previous year 10.5 %).

Sales in the Fineblanking Technology segment totaled CHF 91.4 million (previous year CHF 92.7 million) and thus fell slightly by 1.4 %, or by 1.3 % in local currency. While internal sales with the System Parts segment rose by CHF 6.7 million, sales to third-party customers fell by a total of CHF 8.0 million or 10.0 %.

Overall, the Feintool Group sold CHF 334.7 million or 54.7 % of its products and services in Europe (previous year CHF 287.6 million or 52.1 %). The growth of sales in North America was clearly weaker than in the other regions, with sales totaling CHF 171.8 million, proportionately

28.1 % (previous year CHF 168.8 million or 30.6 %). On the other hand, Asian sales increased significantly to CHF 105.8 million or 17.2 % (previous year CHF 95.9 million or 17.3 %), with the increase being attributable to the acquisition of the forming plant in Tianjin.

Gross margin

The gross margin fell slightly by 0.2 percentage points to 40.1 % relative to the previous year, while the gross profit rose by 10.4 % and amounted to CHF 245.6 million in the financial year.

Material is by far the largest cost component for Feintool. In the year under review, the share of materials in sales rose from 44.4 % to 45.7 %, and the cost of materials amounted to CHF 279.9 million (previous year CHF 245.0 million). This includes costs for external processing of the parts such as hardening or coating. The change in the share of materials is due, on the one hand, to the continuous increase in the added value generated in-house (hardening, double disc grinding, etc.), which reduces the share of materials. On the other hand, steel prices rose sharply in the year under review. Thanks to price escalation clauses in many customer contracts and intensive negotiations, Feintool was able to pass on most of these increases to its customers. Nonetheless, these price increases had a significant impact on the share of materials. Direct personnel expenses totaled CHF 90.3 million or 14.8 % of sales. The slight percentage decline of 1.1 percentage points in direct personnel costs is a result of improved production processes in many plants.

The System Parts segment achieved a gross margin of 39.4 %, which is slightly below the previous year's figure (39.7 %). Increases in efficiency at many locations and greater vertical integration compensated for the higher share of materials due to higher steel prices. The plant in Saxony (Germany), which was acquired in 2015 and over 140 tools have been moved to, had a negative impact on the gross margin, due to high training and preliminary costs for the sampling of these parts. The same applies to the two Chinese plants, which also had massively higher training and preparation costs compared to sales. The new plant in Most (Czech Republic), whose cornerstone was laid in November 2017, had only an insignificant impact.

The gross margin in the Fineblanking Technology segment fell slightly to 38.3 % (previous year 39.8 %) This decline can be attributed, on the one hand, to changes in the product mix and, on the other, to a higher share of internal machines with slightly lower margins.

Key cost items

Personnel expenses increased overall by CHF 20.8 million to CHF 179.9 million or 29.4 % of sales (previous year 28.8 %). Excluding the one-off effect in the previous year from the reduction of the conversion rate for the retirement pension in Swiss pension plans, the increase amounted to CHF 13.8 million. The increase was largely attributable to the System Parts segment, with personnel costs accounting for 25.7 % of sales in the year under review (previous year 26.9 %). Despite another round of high investments in the future, such as the construction of the two production plants in China, the plant in Oelsnitz and the initial hiring at our new location in Most (Czech Republic), personnel costs were reduced slightly in percentage terms. The increase in value added through additional work steps such as "hardening" also involves training expenses and requires an increase in headcount.

Other operating expenses rose by CHF 6.4 million to CHF 78.1 million; relative to sales, these expenses fell slightly to 12.8 % (previous year 13.0 %). Systematic cost management was able to slow down the increase in costs. Other operating income rose to CHF 2.4 million. As a result of the ongoing focus on core activities, income from secondary services and income from properties no longer used was at a low level.

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

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by CHF 7.3 million or 9.5 % to CHF 83.2 million in the year under review. The currency effect in the amount of CHF 0.7 million had a positive impact. The EBITDA margin of 13.6 % in the financial year was slightly lower than in the previous year.

Depreciation and impairment

Depreciation increased this year by 6.6 % to CHF 36.9 million. The reasons for this were the high investments in recent years, particularly in the System Parts segment. Relative to sales, depreciation fell from 6.3 % to 6.0 %, however. At CHF 60.1 million, investments significantly exceeded depreciation in the financial year; this expense item is consequently set to continue growing over the coming years.

Operating profit (EBIT)

Feintool generated operating profit (EBIT) of CHF 46.3 million (previous year CHF 41.3 million), corresponding to an EBIT margin of 7.6 % (previous year 7.5 %). The positive currency impact on the EBIT was CHF 0.5 million. In local currency, Feintool thus increased its operating profit (EBIT) by 10.7 %, with the acquired Chinese forming plant hurting the operating earnings with a negative EBIT of CHF 2.0 million and the associated acquisition costs of CHF 0.4 million.

9.6 %

EBIT margin
in high-volume parts segment

The operating results of the System Parts segment rose significantly by CHF 8.3 million or 18.7 % (by 17.5 % when adjusted for currency effects) to CHF 52.6 million (previous year CHF 44.4 million). The sales growth due to the good economy in the automotive market and new launches or the ramp-up of many products led to higher capacity utilization at most companies, which had a positive impact on margins overall. The programs for increasing efficiency at all locations and higher added value have supported this pleasing development. The EBIT margin increased again slightly to 9.6 %. The European locations reported a significant increase in operating earnings of CHF 11.5 million. Currency movements between the Euro and the Swiss franc had a positive impact of CHF 0.7 million. Overall, this area generated operating income of CHF 32.8 million, which represents an increase of more than 50.0 %. This area benefited from the rapid growth of orders won in the market in previous years; however, individual locations are struggling with additional costs resulting from the rapid growth. The American operations also contributed a solid share to earnings with an EBIT of CHF 18.0 million. When adjusted for currency effects, this amounts to an increase of 4.3 % from the previous year. In Asia, Feintool's EBIT in the parts business fell sharply to CHF 1.8 million. The new plant in Tianjin generated a negative EBIT of CHF 2.0 million. The other Chinese plant also slipped slightly into losses again. On the other hand, Japan again delivered a satisfactory result, even though automobile production in Japan has been stagnating for years.

The Fineblanking Technology segment generated an operating profit of CHF 4.0 million (previous year CHF 4.3 million). The margin fell slightly year on year to 4.4 % (previous year 4.7 %). The main reasons for this development are the slightly lower sales and the also slightly lower gross margin. Research expenses were consciously increased to CHF 7.0 million, as they constitute an investment in the future.

The non-operating units incurred costs of CHF 9.0 million (previous year CHF 6.9 million). This includes one-off costs for the focusing measures of CHF 2.0 million introduced in December. Excluding this special effect, the costs remained largely unchanged at the level of the previous year.

Financial result

The financial result fell significantly to CHF -6.2 million (previous year CHF -3.2 million). This includes a currency loss of CHF 2.9 million (previous year currency gain of CHF 0.5 million). The financial result not including currency effects decreased by CHF 0.3 million to CHF 3.3 million.

Taxes

The tax expense of Feintool companies totaled CHF 12.4 million. The effective tax rate of 30.8 % was just slightly higher than in the previous year (29.1 %). Feintool's main markets – Germany, the US and Japan – all have high taxes. The reduction of the tax rate in the US will result in a reduction of the theoretical tax rate to around 24.0 % in the future. As in previous years, the tax expense is influenced by losses in countries (especially China) in which the loss carryforwards become time-barred relatively quickly. Non-capitalized loss carryforwards therefore increased by CHF 7.7 million to CHF 22.1 million in the year under review.

Net income

Consolidated net income rose slightly year on year to CHF 27.7 million (previous year CHF 26.6 million). However, the net return on sales of 4.5 % fell slightly compared to the previous year (4.8 %), due to the significant increase in sales.

CONSOLIDATED BALANCE SHEET

The acquisition of the Chinese metal forming plant and another round of very high investments caused a significant increase in the balance sheet during the year under review. Total assets rose by 12.6 % or CHF 66.7 million to CHF 597.4 million.

Since the changes largely offset each other, the change in current assets of CHF 255.3 million was only minimal overall. Cash and cash equivalents fell by CHF 40.4 million to CHF 52.4 million as a result of the acquisition and the high investments. On the other hand, receivables increased massively (+30.1 %) and totaled CHF 111.5 million. Only CHF 3.2 million of the increase is of an acquisition nature. Relative to sales, receivables rose from 15.5 % to 18.2 %. The general trend in the automobile industry is to have longer payment terms, and this was also observed in the year under review. The age structure of receivables hardly changed in the year under review. Total receivables sold in the context of the factoring programs – which are not required to be included on the balance sheet – increased to CHF 13.3 million (previous year CHF 10.5 million). The inventories and net assets of construction contracts increased by CHF 12.5 million to CHF 84.6 million, with CHF 8.2 million coming from the acquisition. Without the acquisition, the increase would have been only CHF 4.3 million or 6.0 %, significantly lower than the increase in sales. Accrued income increased to 4.3 million.

Operating net working capital rose by CHF 17.4 million to CHF 78.1 million, amounting to 12.8 % of sales (previous year 11.0 %). The main reason for this increase is the development of trade receivables, which increased by CHF 19.4 million, and the increase in inventories and net assets from construction contracts by CHF 12.5 million. Trade payables as well as accrued expenses and deferred income increased by only CHF 13.2 million and only partially compensated for this rise. 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.

Fixed assets rose sharply to CHF 342.1 million as a result of another round of high investments totaling CHF 60.1 million (+24.5 %). The acquisition of the Chinese plant caused an increase in fixed assets of CHF 38.5 million. The increase in fixed assets would have been just 10.5 % without the acquisition effect. Property, plant and equipment rose by CHF 42.5 million – CHF 15.5 million due to the acquisition – to CHF 280.0 million. Intangible assets increased by CHF 25.3 million to CHF 43.7 million, with CHF 23.0 million resulting from the acquisition. The organic growth is attributable to capitalized research and development costs, software and some minor items. Financial assets remained unchanged at CHF 1.6 million. Deferred tax assets fell slightly to CHF 16.7 million.

On the liabilities side of the balance sheet, debt rose significantly by CHF 41.3 million to CHF 342.2 million, of which the acquisition accounted for more than 60.0 %, i.e. CHF 25.1 million, of the increase. Trade payables and other liabilities increased by CHF 4.2 million and totaled CHF 74.8 million, with CHF 6.0 million resulting from the acquisition. The liabilities of the other companies thus declined slightly. Accrued expenses and deferred income, current and non-current provisions and deferred tax liabilities increased by CHF 10.5 million (CHF 6.4 million from the acquisition) to CHF 63.7 million. Liabilities for the pension fund (IAS 19) fell by CHF 3.6 million to CHF 59.5 million in the financial year. While the obligation of the Swiss plans decreased by CHF 5.0 million, the obligations in Germany – partially on account of the appreciation of the euro – rose by CHF 1.3 million. The initiated restructuring of the Swiss pension plans had a one-off positive effect of CHF 7.1 million on this item in the previous year, due to the reduction of the conversion rate for old age pensions.

Interest-bearing liabilities rose strongly by CHF 25.3 million – of which CHF 12.7 million is due to the assumption of debts from the acquisition in China – to CHF 134.2 million. CHF 30.7 million of the interest-bearing liabilities are short-term. Non-current interest-bearing liabilities rose by CHF

10.5 million to CHF 103.5 million in the year under review. Feintool signed a new syndicated loan of CHF 90.0 million in the year under review. With CHF 134.1 million in cash and cash equivalents and available, confirmed bank lines, Feintool has more financial flexibility than in the previous year, despite high investments and the acquisition in China (CHF 117.8 million).

Equity stood at CHF 255.2 million as at December 31, 2017 (previous year CHF 229.9 million). As a result of the increase in the balance sheet, the equity ratio fell slightly from 43.3 % to 42.7 %. The statement of changes in equity shows that the consolidated profit increased equity by CHF 27.7 million. The distributed dividend reduced equity by CHF 8.9 million. Actuarial revaluations relating to employee benefit obligations (IAS 19) charged directly to equity in the amount of CHF 3.9 million and currency differences of CHF 2.6 million had a positive effect. The other items hardly had any influence.

CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow from operating activities was CHF 38.5 million and thus significantly lower than in the previous year (CHF 74.1 million). In the year under review, net working capital rose sharply, by CHF 36.7 million. The cash flow from investment activity at CHF 77.1 million was very negative, with CHF 24.7 million attributable to the cash purchase price of the Chinese forming plant. In addition, lease financing in the amount of CHF 6.2 million was made use of. Overall, therefore, this resulted in a negative cash flow from operating activities of CHF 38.6 million (previous year positive CHF 14.7 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 246 to 2 485 in the financial year. In addition, 81 (previous year 68) young persons are currently with our company as trainees. The System Parts segment employed 2 206 people, an increase of 244. Strong growth in sales precipitated the increase of 152 employees to 1 244 in Europe, while there are 350 employees in Asia, which represents an increase of 111 persons, with 52 being attributed to the acquisition. In the US, the number of employees fell to 612 (-19 relative to the previous year). The Fineblanking Technology segment employed 239 people at the end of the year (-3 on the previous year). Forty members of staff (+5) were employed in units not directly involved with operations.

A total of 419 employees and 32 trainees are employed in Switzerland, which corresponds to an increase of 26 persons and one trainee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2017 financial year (January 1 to December 31, 2017)

	Note	2017 in CHF 1 000	in %	2016 in CHF 1 000	in %
Net sales	**3**	**612 333**	**100.0**	**552 237**	**100.0**
Change in finished and semi-finished goods and work in progress		3 496		-893	
Capitalized self-generated assets	4	2 849		5 603	
Material cost		-279 870		-245 049	
Personnel expenses [1]	5	-179 877		-159 041	
Other operating expenses	6	-78 132		-71 769	
Other operating income	7	2 442		1 980	
Earnings before interest, taxes, depreciation and amortization (EBITDA) [1] [2]		**83 241**	**13.6**	**83 068**	**15.0**
Depreciation and amortization	17, 18	-36 937		-34 646	
Operating profit (EBIT) [1] [3]		**46 304**	**7.6**	**48 422**	**8.8**
Financial expenses	8	-14 528		-11 716	
Financial income	9	8 326		8 527	
Earnings before taxes		**40 102**	**6.5**	**45 233**	**8.2**
Income taxes	10	-12 359		-13 171	
Net income attributable to Feintool Holding shareholders		**27 743**	**4.5**	**32 062**	**5.8**

[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 statement of comprehensive income in the previous period to the tune of kCHF 7 083. This effect results in an EBIT margin of 8.8 %. Without this impact, the results would have been as follows:
EBITDA kCHF 75 985; EBITDA margin 13.8 %
EBIT kCHF 41 339; EBIT margin 7.5 %
Further reference is made to Sections 1 and 5 of the Notes.

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

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

	Note	2017 in CHF 1 000	2017 in %	2016 in CHF 1 000	2016 in %
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences		2 595		1 643	
Items that may not be reclassified to profit or loss					
Reassessment of net defined benefit liability (asset)		5 007		-7 036	
Income taxes on other comprehensive income		-1 200		1 632	
Total other comprehensive income		**6 402**		**-3 761**	
Total comprehensive income attributable to Feintool Holding shareholders		**34 145**		**28 301**	
Net income attributable to Feintool Holding shareholders		27 743		32 062	
Total comprehensive income attributable to Feintool Holding shareholders		34 145		28 301	
Basic earnings per share (in CHF)	12	6.22		7.20	
Diluted earnings per share (in CHF)	12	6.22		7.20	
Number of employees					
Number of employees excl. 81 (previous year 68) trainees	**5**	**2 485**		**2 239**	

CONSOLIDATED BALANCE SHEET

for the 2017 financial year (as at December 31, 2017)

	Note	12/31/2017 in CHF 1 000	in %	12/31/2016 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		52 384		92 752	
Trade and other receivables	13	111 486		85 681	
Tax receivables		2 547		2 285	
Inventories	14	56 430		45 082	
Net assets of construction contracts/work in progress	15	28 201		27 044	
Prepaid expenses and accrued income	16	4 270		3 108	
Total current assets		**255 318**	**42.7**	**255 952**	**48.2**
Non-current assets					
Property, plant and equipment	17	279 979		237 473	
Intangible assets	18	43 732		18 384	
Financial assets	19	1 629		1 592	
Deferred tax assets	11	16 722		17 338	
Total non-current assets		**342 062**	**57.3**	**274 787**	**51.8**
TOTAL ASSETS		**597 380**	**100.0**	**530 739**	**100.0**
LIABILITIES					
Current liabilities					
Financial liabilities	20	30 742		15 919	
Trade and other payables	21	74 825		70 674	
Tax liabilities		9 870		4 931	
Accrued expenses and deferred income	22	42 474		33 422	
Current provisions	23	6 575		6 899	
Total current liabilities		**164 486**	**27.5**	**131 845**	**24.8**
Non-current liabilities					
Financial liabilities	20	103 505		93 005	
Non-current provisions	23	1 793		1 422	
Deferred tax liabilities	11	12 843		11 442	
Employee benefit liabilities	26	59 531		63 100	
Total non-current liabilities		**177 672**	**29.8**	**168 969**	**31.8**
Total liabilities		**342 158**	**57.3**	**300 814**	**56.7**
Equity					
Share capital		44 630		44 630	
Capital reserves		90 929		99 734	
Retained earnings		145 643		114 093	
Treasury shares		-703		-660	
Translation differences		-25 277		-27 872	
Total equity		**255 222**	**42.7**	**229 925**	**43.3**
TOTAL EQUITY AND LIABILITIES		**597 380**	**100.0**	**530 739**	**100.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2017 financial year (January 1 to December 31, 2017)

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Retained earnings	Translation differences	Total equity
January 1, 2016	**44 630**	**-905**	**106 224**	**87 435**	**-29 515**	**207 869**
Translation differences	–	–	–	–	1 643	1 643
Reassessment of net defined benefit liability (asset), net of tax	–	–	–	-5 404	–	-5 404
Total other comprehensive income	**–**	**–**	**–**	**-5 404**	**1 643**	**-3 761**
Net income attributable to Feintool Holding shareholders	–	–	–	32 062	–	32 062
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**26 658**	**1 643**	**28 301**
Dividend [1]	–	–	-6 686	–	–	-6 686
Purchase/(sale) of treasury shares	–	-510	–	–	–	-510
Share-based management remuneration [2]	–	755	196	–	–	951
December 31, 2016	**44 630**	**-660**	**99 734**	**114 093**	**-27 872**	**229 925**
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 [3]	–	–	-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**

[1] The General Meeting held on April 19, 2016 approved the Board of Directors' proposed dividend distribution of CHF 1.50 per registered share from earnings for the financial year ended December 31, 2015.

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

[3] 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 2017 financial year (January 1 to December 31, 2017)

	Note	2017 in CHF 1 000	2016 in CHF 1 000
Net income of the Feintool Group		27 743	32 062
Depreciation and amortization	17, 18	36 937	34 646
(Gain)/loss on disposal of property, plant and equipment	6, 7	-26	-204
Increase/(decrease) in provisions and valuation allowances		-1 968	1 076
(Increase)/decrease in deferred taxes		-86	3 203
Other non-cash changes		218	-4 623
Income Taxes	10	12 359	13 171
Cash flows from operating activities before change in net working capital (NWC)		**75 177**	**79 331**
Increase/decrease in:			
Trade and other receivables	13	-24 708	-665
Inventories	14	-12 552	-85
Prepaid and accrued expenses and income	16, 22	9 822	1 697
Trade and other payables	21	2 788	5 841
Other net working capital (NWC)		427	-5 045
Income taxes paid	10	-12 459	-6 941
Cash flows from operating activities		**38 495**	**74 133**
Investments in property, plant and equipment	17	-50 308	-57 838
Disposals of property, plant and equipment	17	1 494	832
Investments in intangible assets	18	-3 547	-3 348
Disposals of intangible assets	18	27	11
Increase in financial assets		-171	-261
Decrease in financial assets		133	1 214
Purchase of consolidated investments net of cash	2	-24 723	–
Cash flows from investing activities		**-77 095**	**-59 390**
Free cash flow		**-38 600**	**14 743**
Dividends paid		-8 923	-6 686
Purchase of treasury shares		-785	-508
Sale of treasury shares		831	754
Borrowing of interest-bearing liabilities		12 228	91 166
Repayment of interest-bearing liabilities		-9 390	-37 269
Cash flows from financing activities		**-6 039**	**47 457**
Increase/(decrease) in cash and cash equivalents		**-40 368**	**61 201**
Cash and cash equivalents at the beginning of the period		92 752	31 550
Translation differences		4 271	-999
Cash and cash equivalents at the end of the period		52 384	92 752
Interest paid		-2 605	-1 780
Interest received		75	108

New finance leasing contracts were concluded for kCHF 10 809 (previous year kCHF 15 519) during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2017

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, 2017, include the Company and its subsidiaries ("Feintool"). Feintool is the world's leading technology group specializing in the development of fineblanking systems and the production of ready-to-install fineblanking and forming components, notably for the automobile industry. The Group maintains close partnerships with its customers across the entire fineblanking and forming 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 orbital 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 2 485. At its various locations, Feintool provides training for 81 young people mainly as polymechanics, constructing engineers and commercial traders.

GENERAL INFORMATION

The consolidated financial statements for the financial year are based on the financial statements of the Group companies as at December 31, 2017, 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.

FINANCIAL COVENANTS

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. The contract is setted for a period of five years (up to June 2022) and has an option for renewal of one year. The syndicated loan defines a number of covenants, the principal one being:

- Equity ratio > 30 %
- Net Senior Debt / EBITDA < 3.0 x

As of December 31, 2017, CHF 8.2 million of the syndicated loan had been used.

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 of 5 years, fixed interest rate of 0.90 %;
- EUR 25 million, term of 7 years, fixed interest rate of 1.10 %;
- EUR 15 million, term of 10 years, 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 %

Credit agreements concluded on a bilateral basis with various banks also contain standard covenants. If the Group or individual companies were unable to meet these covenants, the banks would have the right to terminate the loans at short notice.

As at December 31, 2017, all covenants had been met. Feintool has CHF 81.8 million (previous year CHF 25.0 million) in unused, confirmed creditlines at the bank.

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, 2017, Feintool adopted the following new Standards and Interpretations:

- Amendments to IAS 7 – Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements IFRS – 2014 to 2016 Cycle, IFRS 12

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

NEW ACCOUNTING REQUIREMENTS

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

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (January 1, 2018)
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (January 1, 2018)
- IFRS 9 – Financial Instruments (January 1, 2018)
- Amendments to IAS 40 – Transfers of Investment Property (January 1, 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (January 1, 2018)
- Annual Improvements IFRS – 2014 to 2016 Cycle, IFRS 1, IAS 28 (January 1, 2018)
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation (January 1, 2019)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (January 1, 2019)
- IFRIC 23 – Uncertainty over Income Tax Treatments (January 1, 2019)
- Annual Improvements IFRS – 2015 to 2017 Cycle, IFRS 3, IFRS 11, IAS 12, IAS 23 (January 1, 2019)
- IFRS 17 – Insurance Contracts (Januar 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.

- IFRS 15 – Revenue from Contracts with Customers (January 1, 2018)

The effects of this standard were analyzed extensively. Today, Feintool assumes that the new Standard will only have an insignificant impact on the Group’s financial position, results of operations and cash flows. Individual – relatively rarely occurring – business transactions may cause an increase in the volatility of business results, however. There were no such business transactions in the year under review as well as in the financial year 2016.

- IFRS 16 – Leases (January 1, 2019)

Feintool anticipates that this new standard will have profound effects on the Group's financial position, results of operations and cash flows. In particular, the new standard will lead to an increase in non-current liabilities and to a roughly similar recognition of lease assets and liabilities. The new rule is currently being analyzed and preparations made for its implementation. At this point in time, around 2 % higher total assets, 4 to 6 % higher EBITDA, and 0.5 to 1 % higher EBIT are expected. On average, there will be no impact on the consolidated net income. Regardless of the age structure of the rental and operating lease agreements, there may be minor shifts.

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 87.

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.

On October 12, 2016, Feintool International Holding AG, Lyss founded the subsidiary Feintool System Parts Most s.r.o. in the Czech Republic. It is part of the Feintool System Parts segment and its purpose is the production and sale of fineblanked and formed parts.

Retroactive as of January 1, 2016, HL Immobilien AG, Lyss, merged with Feintool System Parts Lyss AG.

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:

		2017		2016	
		Closing rate	Average rate	Closing rate	Average rate
Eurozone	EUR 1	1.1702	1.1162	1.0739	1.0905
USA	USD 1	0.9757	0.9813	1.0188	0.9882
Czech Republic	CZK 100	4.5827	4.2536	3.9743	4.0328
China	CNY 100	14.9669	14.5691	14.6226	14.7479
Japan	JPY 100	0.8668	0.8757	0.8703	0.8928

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Financial liabilities mainly include debt and trade payables, which are measured at amortized cost. Financial liabilities designated at fair value through profit or loss (derivatives) are stated at fair value. Non-current financial liabilities are measured using the effective interest method. In addition to the actual interest payments, interest expenses therefore also include the amounts of annual interest cost and pro rata transaction costs.

Financial assets are de-recognized when Feintool cedes control, i.e. when the related rights are sold or expire. Financial liabilities are de-recognized when repaid.

Currently, Feintool does not apply hedge accounting.

BALANCE SHEET

Cash and cash equivalents

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

Trade 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 actual risk of loss. This includes specific valuation allowances for receivables at risk and a global valuation allowance for the estimated credit risk. Other receivables are stated at their nominal amount less writedowns.

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.

Net assets of construction contracts/work in progress

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

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

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

The stage of completion of construction contracts is obtained from the ratio between the contract costs incurred and 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.

Work in progress is stated at the cost of conversion.

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. 10 years

Impairment

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

Leases (finance leases)

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

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

Net sales from the sale of goods and services are the sales revenues after taxes, credits and discounts. With the exception of construction contracts accounted for using the percentage of completion (POC) method, sales are recognized when the risks and rewards of ownership are transferred (see "Net assets of construction contracts/work in progress" on page 41 of this report).

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

Other operating income/expenses

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

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

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

Research & development

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

Interest

Interest is recognized using the effective interest method. Interest not yet received 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 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	**64 921**	**547 412**	612 333	**–**	**–**	612 333
Gross margin [1]	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	**75 643**	**517 292**	592 935	**204 816**	**-200 371**	597 380
Net working capital [2]	**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

1.2 Geographical areas 2017	Switzerland	Europe excl. Switzerland	America	Asia	Total
Total net sales – Group [3]	**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 2017 and 2016 financial years.

[1] 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.

[2] Net working capital comprises trade receivables, inventories, net assets of construction contracts/work in progress and prepaid expenses and accrued income less trade payables, advance payments received from customers and accrued expenses and deferred income. The remaining receivables and liabilities is included in the calculation for “Finances/Other” beginning in financial year 2017. The calculation from the previous year was adjusted accordingly.

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

[4] In financial year 2016, the Swiss pension fund adopted an amendment to its regulation, which had a positive one-off effect of kCHF 7 083 on the statement of comprehensive income in accordance with IAS 19. Reference is also made to Note 5 in these Notes to the financial statements.

1.3 Products and services 2016 in CHF 1 000	Fineblanking Technology	System Parts	**Total segments**	Finance/ Other	Eliminations	**Total Group**
Net sales	92 718	479 298	**572 016**	–	-19 779	**552 237**
- Intersegment income	-19 766	-13	**-19 779**	–	19 779	**–**
Total net sales – Group	**72 952**	**479 285**	**552 237**	**–**	**–**	**552 237**
Gross margin [1]	36 881	190 462	**227 343**	–	-4 802	**222 541**
Effect of plan amendment in the financial year [4]	1 940	1 264	**3 204**	–		**3 204**
Gross margin [1]	38 821	191 726	**230 547**	–	-4 802	**225 745**
EBITDA before effect of plan amendment	**7 105**	**75 895**	**83 000**	**-4 929**	**-2 086**	**75 985**
Effect of plan amendment in the financial year [4]	3 880	2 528	**6 408**	675		**7 083**
EBITDA after effect of plan amendment	**10 985**	**78 423**	**89 408**	**-4 254**	**-2 086**	**83 068**
Depreciation and amortization	-2 790	-31 538	**-34 328**	-1 990	1 672	**-34 646**
Operating profit (EBIT)	**4 315**	**44 357**	**48 672**	**-6 919**	**-414**	**41 339**
Effect of plan amendment in the financial year [4]	3 880	2 528	**6 408**	675		**7 083**
Operating profit (EBIT)	**8 195**	**46 885**	**55 080**	**-6 244**	**-414**	**48 422**
Financial expenses						**-11 716**
Financial income						**8 527**
Income taxes						**-13 171**
Net income attributable to Feintool Holding shareholders						**32 062**
Assets	**68 108**	**383 285**	**451 393**	**215 299**	**-135 952**	**530 740**
Net working capital [2]	**13 207**	**60 993**	**74 200**	**17 509**	**-31 067**	**60 642**
Investments in property, plant and equipment/intangible assets (incl. leases)	**2 872**	**71 680**	**74 552**	**2 540**	**-2 238**	**74 854**
Number of employees	**242**	**1 962**	**2 204**	**35**	**–**	**2 239**

1.4 Geographical areas 2016	Switzerland	Europe excl. Switzerland	America	Asia	**Total**
Total net sales – Group [3]	**11 130**	**276 476**	**168 751**	**95 880**	**552 237**
thereof Germany		203 741			
thereof USA			116 951		
thereof Japan				41 291	
thereof China				35 298	
Fixed and intangible assets	**39 604**	**106 417**	**85 511**	**24 326**	**255 858**

The following footnotes are applicable to the 2017 and 2016 financial years.

The Fineblanking Technology segment develops, manufactures and sells 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.

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

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 17.4 % (previous year 17.1 %) of consolidated sales with one customer. Income is generated in all segments.

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 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.

With the purchase of the Chinese forming plant, Feintool can now offer sophisticated forming applications in all of the important automotive markets and thus continue to expand its market position. The forming business was founded in Tianjin in 2014, employed 52 people at the time of acquisition and has a modern infrastructure that is currently being expanded.

In its first nine months under the Feintool Group, Feintool Automotive System Parts (Tianjin) Co., Ltd. generated sales of CHF 11.6 million and an operating profit (EBIT) of CHF -2.0 million. Had the acquisition taken place on January 1, 2017, the consolidated sales of the Feintool Group would have totaled CHF 613.3 million and the operating result (EBIT) CHF 46.1 million. As Schuler (Tianjin) Metal Forming Technology Center Co. Ltd. did not apply IFRS accounting prior to the date of acquisition, these figures are estimates.

The Purchase Price Allocation is not yet final.

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

2.2 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.

2.3 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 acquisiton 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 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

	2017	**2016**
	in CHF 1 000	in CHF 1 000
Gross sales [1)]	613 470	560 062
Sales deductions	-1 137	-7 825
Total net sales	**612 333**	**552 237**

1) An amount of kCHF 32 960 (previous year kCHF 37 896) of the gross sales were calculated using the percentage-of-completion (POC) method.

4 CAPITALIZED SELF-GENERATED ASSETS

	2017	**2016**
	in CHF 1 000	in CHF 1 000
Self-generated presses	360	1 091
Self-generated tools	606	2 799
Capitalized development costs	1 839	1 631
Other capitalized self-generated assets	44	82
Capitalized self-generated assets	**2 849**	**5 603**

5 PERSONNEL EXPENSES

	2017	**2016**
	in CHF 1 000	in CHF 1 000
Salaries and wages	140 559	130 954
Employee welfare expenses	23 514	23 491
Other personnel expenses [1)]	15 804	4 595
Total personnel expenses	**179 877**	**159 041**
of which direct personnel expenses [2)]	90 339	80 550
of which indirect personnel expenses	89 538	78 491

1) In financial year 2016, the Swiss pension fund approved an amendment to the regulations, which will result in a gradual reduction of the conversion rate from 6.2 % to 5.2 %. This amendment had a positive one-time effect of kCHF 7 083 on the statement of comprehensive income in the previous year. The one-time effect applied to other personnel expenses. See also Sections 1 and 26 in the Notes.

2) Direct personnel expenses are personnel expenses that can be directly assigned to the production process. The effect due to the regulation amendment of the Swiss pension fund to the direct personnel expenses in prior period amounts to kCHF 3 542.

The Group employed 2 485 staff at the end of the year under review (previous year 2 239) and 81 trainees (previous year 68).

6 OTHER OPERATING EXPENSES

	2017 in CHF 1 000	2016 in CHF 1 000
Repair and maintenance	55 494	49 838
Rental and leasing expenses	5 366	5 052
Sales and marketing expenses	2 441	2 698
Administration and distribution expenses	11 278	10 263
Loss on the disposal of property, plant and equipment	62	106
Taxes and duties (not including taxes on income)	1 184	1 244
Other expenses	2 307	2 568
Total other operating expenses	**78 132**	**71 769**

7 OTHER OPERATING INCOME

	2017 in CHF 1 000	2016 in CHF 1 000
Gain on the disposal of property, plant and equipment	88	310
Other income [1)]	2 354	1 670
Total other operating income	**2 442**	**1 980**

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

8 FINANCIAL EXPENSES

	2017 in CHF 1 000	2016 in CHF 1 000
Interest expense	2 892	2 829
Other finance costs [1)]	666	937
Foreign exchange losses	10 970	7 950
Total financial expenses	**14 528**	**11 716**

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 swap transactions.

9 FINANCIAL INCOME

	2017 in CHF 1 000	2016 in CHF 1 000
Interest income	77	124
Other financial income [1)]	161	1
Foreign exchange gains	8 088	8 402
Total financial income	**8 326**	**8 527**

1) Other financial income comprises valuation income from hedging.

10 INCOME TAXES

10.1 Analysis of income taxes	2017 in CHF 1 000	2016 in CHF 1 000
Tax credits/charges for the reporting period	14 238	9 498
Tax credits/charges from previous years	30	-1 161
Deferred income taxes	-1 909	4 834
Total income taxes	**12 359**	**13 171**

10.2 Analysis of tax charge	2017 in CHF 1 000	2016 in CHF 1 000
Earnings before taxes	**40 102**	**45 233**
Weighted tax rate as % [1]	29.6 %	29.3 %
Expected overall tax expense	**11 882**	**13 267**
Non tax-deductible expense	154	95
Non-taxable income [2]	-1 427	-209
Unrecognized tax loss carryforwards from the current year [3]	2 885	2 779
Use of unrecognized loss carryforwards from previous years	–	-189
Recognition of previously unrecognized loss carryforwards [4]	–	-1 380
Reassessment of deferred tax assets/liabilities	–	60
Use of unrecognized deductible temporary differences	-123	-221
Tax credits/charges from previous years	30	-1 161
Effect of changes in tax rates [5]	-2 341	137
Reassessment of prior year	1 120	–
Other effects	179	-7
Effective income tax expense	**12 359**	**13 171**
Effective income tax expense as %	**30.8 %**	**29.1 %**

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) The non-taxable income from the current year refers mainly to a company in China.

3) Unrecognized tax loss carryforwards from the current year refer to companies in Switzerland, Germany, Czeck Republic and China.

4) The recognition of previously unrecognized loss carryforwards in prior year refers in particular to companies in Switzerland, China and Germany.

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

11 DEFERRED TAXES

11.1 Carrying amounts in CHF 1 000	12/31/2017 Deferred tax assets	12/31/2017 Deferred tax liabilities	12/31/2016 Deferred tax assets	12/31/2016 Deferred tax liabilities
Deferred taxes for temporary differences				
Current assets	3 233	1 486	2 707	1 574
Non-current assets	3 953	25 632	6 112	30 472
Provisions and other liabilities	2 321	967	2 899	982
Employee benefit plans	12 599	430	13 279	191
Loss carryforwards	10 424	–	14 120	–
Other temporary differences	–	136	2	2
Total gross values	**32 530**	**28 651**	**39 118**	**33 222**
Netting	-15 808	-15 808	-21 780	-21 780
Total carrying amounts	**16 722**	**12 843**	**17 338**	**11 442**
of which recognized in the balance sheet as deferred tax assets	16 722		17 338	
of which recognized in the balance sheet as deferred tax liabilities		12 843		11 442
Net deferred tax assets	**3 879**		**5 896**	

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 deferred taxes in CHF 1 000	12/31/2017 Deferred tax assets	12/31/2017 Deferred tax liabilities	12/31/2016 Deferred tax assets	12/31/2016 Deferred tax liabilities
Start of period	**5 896**		**9 185**	
Recognition and reversal of temporary differences	4 250		-4 971	
Temporary differences arising on tax rate changes	-2 341		137	
Temporary differences arising on acquisition/sale of entities	-2 333		–	
Temporary differences recognized directly in equity	-1 200		1 632	
Translation differences	-393		-87	
End of period	**3 879**		**5 896**	

The temporary differences arising on the acquisition/sale of entities relate to the acquisition of Feintool Automotive System Parts (Tianjin) Co., Ltd.

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	**12/31/2017** in CHF 1 000	**12/31/2016** in CHF 1 000
Total tax loss carryforwards	68 742	56 352
of which recognized loss carryforwards	46 625	41 903
Total unrecognized tax loss carryforwards	**22 117**	**14 449**
of which expiring within 1 year	2 978	4 254
of which expiring in one to five years	7 811	7 285
of which expiring in more than five years	11 327	2 911
Tax effects of unrecognized tax loss carryforwards	**5 921**	**3 692**

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	**2017** Number	**2016** Number
Average number of shares outstanding	4 462 971	4 462 971
Less number of treasury shares (weighted)	-3 374	-7 534
Average number of shares outstanding – basic	4 459 597	4 455 437
Average number of shares outstanding – diluted	4 459 597	4 455 437

12.2 Net income Feintool Group	**2017** in CHF 1 000	**2016** in CHF 1 000
Net income of the Feintool Group – basic	27 743	32 062
Net income of the Feintool Group – diluted	27 743	32 062

No dilution effects were recognized in the financial year.
In financial year 2016, the Swiss pension fund approved an amendment to the regulations, which, according to IAS 19, had a positive impact on net income in the previous period to the tune of net kCHF 5 454. Without this impact, the net income would have been TCHF 26 608.

12.3 Earnings per share	**2017** in CHF	**2016** in CHF
Basic earnings per share	6.22	7.20
Diluted earnings per share	6.22	7.20

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.
In financial year 2016, the Swiss pension fund approved an amendment to the regulations, which, according to IAS 19, had a positive impact on net income in the previous period to the tune of net kCHF 5 454. Without this impact, the earnings per share would have been CHF 5.97.

13 RECEIVABLES

13.1 Trade and other receivables	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Trade receivables	93 331	73 253
Valuation allowances	-2 708	-2 004
Total trade receivables (net)	**90 623**	**71 249**
Bills receivable	55	140
Outstanding VAT credits	7 299	4 325
Advanced payments to suppliers	10 557	8 217
Other receivables	2 952	1 750
Total trade and other receivables	**111 486**	**85 681**

Feintool has various factoring programs not required to be included on the balance sheet. Receivables of kCHF 13 314 had been sold under this program as at December 31, 2017 (previous year kCHF 10 494).

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
12/31/2017							
Trade receivables		93 331	76 317	8 841	5 240	791	2 142
Valuation allowances		-2 708					
Total receivables (net)		**90 623**					
12/31/2016							
Trade receivables		73 253	60 316	5 340	1 510	3 597	2 490
Valuation allowances		-2 004					
Total receivables (net)		**71 249**					

13.3 Valuation allowance on receivables	2017 in CHF 1 000	2016 in CHF 1 000
Start of period	**-2 004**	**-2 727**
Translation differences	-41	-4
Recognized	-985	-155
Reversed	249	753
Used	73	129
End of period	**-2 708**	**-2 004**

14 INVENTORIES

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Raw material	33 131	25 880
Finished and semi-finished goods	43 649	36 643
Valuation allowances on inventories	-20 350	-17 441
Total inventories	**56 430**	**45 082**

15 NET ASSETS OF CONSTRUCTION CONTRACTS AND WORK IN PROGRESS

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Construction contracts in progress (POC)	15 133	15 658
Work in progress	20 319	20 765
Prepayments received	-6 481	-8 453
Valuation allowances on construction contracts and work in progress	-770	-926
Total net assets of construction contracts and work in progress	**28 201**	**27 044**

The gross margin recorded under "Construction contracts in progress (POC)" as at the closing date amounted to 37.6 % (previous year 38.9 %).

16 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Prepaid expenses for customer orders [1)]	1 658	1 323
Issue costs of promissory note and syndicated loan	1 003	449
Rental agreement [2)]	775	872
Other prepaid expenses and accrued income	834	464
Total prepaid expenses and accrued income	**4 270**	**3 108**

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 01/01/2016	**89 860**	**257 054**	**22 578**	**369 492**
Additions	5 899	48 808	16 799	**71 506**
Disposals	-46	-8 284	-564	**-8 894**
Reclassifications [1]	5 157	9 813	-14 829	**141**
Translation differences	724	2 478	19	**3 221**
As at 12/31/2016	**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**
Accumulated depreciation as at 01/01/2016	**-29 645**	**-132 993**	**-8 732**	**-171 370**
Additions	-4 859	-26 151	-1 822	**-32 832**
Disposals	29	7 714	516	**8 259**
Translation differences	-366	-1 604	-79	**-2 049**
As at 12/31/2016	**-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**
Net carrying amounts				
As at 12/31/2016	**66 753**	**156 835**	**13 886**	**237 474**
Of which leased assets	–	34 008	–	**34 008**
As at 12/31/2017	**69 978**	**174 703**	**35 298**	**279 979**
Of which leased assets	–	39 039	–	**39 039**

[1] Reclassifications include positions of immaterial assets amounting to kCHF -171 (previous year kCHF -219). The remaining amount concerns revaluations and therefore reclasses to the consolidated statement of comprehensive income. There are no reclassificatins on financial assets in the year under review (previous year kCHF -360).

[2] The change in the scope of consolidation in the current year results from the purchase of 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 28 324 in the year under review (previous year kCHF 8 380). Gains on asset disposals are recognized as other operating income (Note 7). A gain of kCHF 88 (previous year kCHF 310) 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 62 (previous year kCHF 106). As at December 31, 2017, the Feintool Group had entered into purchase commitments for the purchase of property, plant and equipment totalling approx. CHF 17.2 million (previous year CHF 19.4 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 01/01/2016	**10 214**	**3 553**	**4 648**	**8 286**	26 701
Additions	–	2 099	1 102	147	**3 348**
Disposals	–	–	-432	-1 041	**-1 473**
Reclassifications	–	–	219	–	**219**
Translation differences	-91	–	23	-33	**-101**
As at 12/31/2016	**10 123**	**5 652**	**5 560**	**7 359**	28 694
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**	**6 676**	**19 267**	56 480
Accumulated depreciation as at 01/01/2016	**–**	**-1 609**	**-3 737**	**-4 617**	-9 963
Additions	–	-642	-580	-590	**-1 812**
Disposals	–	–	432	1 030	**1 462**
Translation differences	–	–	-18	21	**3**
As at 12/31/2016	**–**	**-2 251**	**-3 903**	**-4 156**	-10 310
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**	**-4 670**	**-5 538**	-12 748
Net carrying amounts					
As at 12/31/2016	**10 123**	**3 401**	**1 657**	**3 203**	18 384
As at 12/31/2017	**23 177**	**4 820**	**2 006**	**13 729**	43 732

1) Research and development expenses amounting to kCHF 4 516 (previous year kCHF 4 107) 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 Feintool Automotive System Parts (Tianjin) Co., Ltd., which was acquired in year under review.

18.2 Other information	Carrying amount in CHF 1 000
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**
Goodwill 12/31/2016	
Cash-generating unit System Parts Fineblanking Europe	3 256
Cash-generating unit System Parts Forming Europe	6 867
Total carrying amounts	**10 123**

The goodwill of the cash-generating unit System Parts China is related to Feintool Automotive System Parts (Tianjin) Co., Ltd., which has been acquired in the year under review. The impairment test for this business unit has been performed by a comparison of the fair value less costs of disposal.
Following impairment tests have been performed for the cash-generating units System Parts Fineblanking Europe and System Parts Forming Europe. 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 by using the DCF method (discounted cash flow method). The cash flows were discounted with the WACCs by 8.4% (previous year 8.1%). After deducting liabilities, the goodwill was calculated accordingly as a net amount. The future cash flows are based on a budget approved by the management for a period of three years and an extended extrapolation over two years plus the residual value. The following values were used for the parameters to determine the WACCs:

Financial year:	**2017**	**2016**
Risk-free interest rate:	1.0 %	1.6 %
Market returns:	7.0 %	7.6 %
Risk premium:	2.0 %	2.0 %
Beta:	1.35	1.12
Growth rate:	1.1 %	1.1 %

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

19 FINANCIAL ASSETS

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Loans to third parties	104	114
Receivables from the financing of customer tools	1 198	1 027
Rental deposit accounts	327	451
Financial assets	**1 629**	**1 592**

The weighted average interest rate in the reporting period was 0.8 % (previous year 2.4 %).

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	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Current liabilities to banks	21 694	5 853
Current portion of lease liabilities	8 196	7 696
Current portion of non-current liabilities to banks	852	2 370
Total current financial liabilities	**30 742**	**15 919**

The weighted average interest rate in the reporting period was 1.8 % (previous year 2.5 %).

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. The contract is setted for a period of five years (up to June 2022) and has an option for renewal of one year. 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 2017, CHF 8.2 million of the syndicated loan had been used (previous period CHF 0) and all the covenants had been met.

20.2 Non-current financial liabilities	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Non-current lease liabilities	20 046	18 749
Non-current promissory note	76 063	69 804
Non-current liabilities to banks	7 396	4 452
Total non-current financial liabilities	**103 505**	**93 005**

The weighted average interest rate in the year under review was 1.4 % (previous year 1.5 %).

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 of 5 years, fixed interest rate of 0.90 %
- EUR 25 million, term of 7 years, fixed interest rate of 1.10 %
- EUR 15 million, term of 10 years, 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, 2017, all the covenants had been met.

Credit agreements concluded on a bilateral basis with various banks also contain standard covenants. As of December 31, 2017, 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, 2017, Feintool has CHF 81.8 million (previous year CHF 25 million) in unused, confirmet creditlines at the bank.

20.3 Reconciliation of financial liabilities	2017 in CHF 1 000	2016 in CHF 1 000
Start of period	**108 924**	**42 606**
Cash flows net	2 838	53 897
Non-cash changes	14 524	6 669
thereof acquisition	12 727	–
thereof new leases	1 797	6 669
Translation differences	7 961	5 752
End of period	**134 247**	**108 924**

21 TRADE AND OTHER PAYABLES

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Trade payables	57 190	55 447
Prepayments from third parties	3 470	2 362
Notes payable	6 429	5 859
Customer payments from factoring [1)]	1 529	1 084
Social security liabilities	3 778	3 333
Outstanding VAT liabilities	1 288	1 113
Other liabilities	1 141	1 476
Total trade and other payables	**74 825**	**70 674**

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

22 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Accruals for salary, bonus, overtime, additional hours	14 343	11 997
Outstanding accounts payable	10 168	9 526
Outstanding installations and other work to be fulfilled in relation to customer orders	15 918	10 002
Accruals for environmental risks [1)]	1 033	1 043
Other accrued expenses and deferred income	1 013	854
Total accrued expenses and deferred income	**42 475**	**33 422**

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	Onerous contracts	Warranties	Other provisions	**Total**
Recognized	–	326	2 680	3 006
Used	-54	-7	-1 075	-1 136
Reversed	–	-468	-415	-883
Translation differences	–	-3	-46	-49
Total provisions as at 12/31/2016	**–**	**2 564**	**5 757**	**8 321**
of which current provisions	–	1 159	5 740	6 899
of which non-current provisions	–	1 405	17	1 422
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

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 443 (previous year kCHF 398) 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 12/31/2017 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**
Lease liabilities as at 12/31/2016 due		
within 1 year	2 175	8 007
in one to five years	2 287	19 012
in more than five years	109	–
Total liabilities	**4 571**	**27 019**
Less interest		-574
Total lease liabilities as at 12/31/2016		**26 445**

In the financial year, kCHF 10 809 (previous year kCHF 15 519) of new financial leasing agreements were concluded.

25 COMMITMENTS UNDER LONG-TERM RENTAL AGREEMENTS

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Rental payments due		
within 1 year	2 768	1 811
in one to five years	6 512	8 249
in more than five years	2 558	4 053
Total payments	**11 838**	**14 113**

26 EMPLOYEE BENEFIT PLANS

26.1 Overview of net employee benefit liabilities (assets)	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Net defined benefit liability (asset)	57 354	61 115
Anniversary benefits	2 006	1 898
Other benefit obligations [1)]	171	87
Total net employee benefit liabilities (assets)	**59 531**	**63 100**

1) The liability from the valuation of early retirement obligations in the amount of CHF 236K from a German company was reclassified from accrued expenses and deferred income to employee benefit liabilities in financial year 2017.

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 6 731 (previous year kCHF 6 847).

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 46 793 (previous year kCHF 51 836), the German plan to kCHF 9 775 (previous year kCHF 8 501) and the Japanese plan to kCHF 786 (previous year kCHF 778). 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 6.0 % (previous year 6.2 %). 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 94.7 % as at December 31, 2017 (previous year 91.0 %). 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 2017 in CHF 1 000	Defined benefit obligation 2016 in CHF 1 000	Plan assets 2017 in CHF 1 000	Plan assets 2016 in CHF 1 000	Net defined benefit liability (asset) 2017 in CHF 1 000	Net defined benefit liability (asset) 2016 in CHF 1 000
As at January 1	**185 763**	**181 288**	**-124 648**	**-120 703**	**61 115**	**60 585**
Recognized in income statement						
Current service cost	5 041	4 367	–	–	5 041	4 367
Interest cost (income)	1 179	1 868	-743	-1 202	436	666
General and administrative expenses	–	–	218	228	218	228
Impact of plan amendment in previous year [1]	–	-7 083	–	–	–	-7 083
Total	**6 220**	**-848**	**-525**	**-974**	**5 695**	**-1 822**
Recognized in other comprehensive income						
Expense/(income) from remeasurement of						
Actuarial loss/(gain) due to:						
Change in demographic assumptions	-7	-166	–	–	-7	-166
Change in financial assumptions	–	10 285	–	–	–	10 285
Experience adjustment	-430	962	–	–	-430	962
Return on plan assets (excluding interest income)	–	–	-4 571	-4 044	-4 571	-4 044
Translation differences	861	29	-78	-79	783	-50
Total	**424**	**11 110**	**-4 649**	**-4 123**	**-4 225**	**6 987**
Other						
Contributions from employer [2]	-403	-1 512	-4 828	-3 122	-5 231	-4 634
Contributions from employees	3 164	2 586	-3 164	-2 586	–	–
Benefits paid out	-10 810	-6 861	10 810	6 860	–	-1
Total	**-8 049**	**-5 787**	**2 818**	**1 152**	**-5 231**	**-4 635**
As at December 31	**184 358**	**185 763**	**-127 004**	**-124 648**	**57 354**	**61 115**
of which Swiss plans	170 697	173 511	-123 904	-121 675	46 793	51 836
of which German plans	10 820	9 484	-1 045	-983	9 775	8 501
of which Japanese plans	2 839	2 767	-2 052	-1 989	787	778

[1] In previous year, the Swiss pension fund approved an amendment to the regulations, which will result in a gradual reduction of the conversion rate from 6.2 % to 5.2 %. This amendment had a positive one-time effect of kCHF 7 083 on the statement of comprehensive income in the previous year.

[2] In the previous period, the employer undertook to contribute an additional kCHF 1 200 annually to the Feintool Group's pension fund in addition to the regular contributions, until a funding ratio of 100 % is achieved.

The expected contributions made to the employee benefit plans for the following financial year amount to CHF 5.3 million in the case of employer contributions and CHF 3.2 million in the case of employee contributions.

26.3 Plan assets of defined benefit plans	2017 in %	2016 in %
Equities	9.1	8.4
Bonds	65.3	65.8
Real estate (including real estate funds)	14.5	14.6
Other	0.9	1.0
Cash	10.2	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	2017 in %	2016 in %
Swiss plan		
Discount rate	0.6	0.6
Future increase in wages and salaries	1.3	1.3
German plans		
Discount rate	1.6	1.6
Future increase in wages and salaries	0.0 - 2.0	0.0 - 1.8
Future increase in pensions	1.8 - 2.0	1.8 - 2.0

26.5 Defined benefit plan obligations – actuarial assumptions	2017 in years	2016 in years
Swiss plan		
Life expectancy at age 65 for newly retired persons		
Men	22.4	22.3
Women	24.4	24.3
Life expectancy at age 65 for employees currently aged 45		
Men	24.3	24.2
Women	26.3	26.2
German plans		
Life expectancy at age 65 for newly retired persons		
Men	19.3	19.1
Women	23.3	23.2
Life expectancy at age 65 for employees currently aged 45		
Men	21.9	21.8
Women	25.8	25.7

As at December 31, 2017, the weighted-average duration of pension benefit obligations was 14.7 years for the Swiss plan (previous year 14.8 years) and 18.9 - 20.2 years for the German plans (previous year 19.0 - 19.5 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	2017 in CHF 1 000	2016 in CHF 1 000
Swiss plan		
Change in discount rate -0.25 %	6 177	6 370
Change in discount rate +0.25 %	-5 773	-5 953
Change in wages and salaries -0.25 %	-541	-532
Change in wages and salaries +0.25 %	540	531
German plans		
Change in discount rate -0.25 %	502	476
Change in discount rate +0.25 %	-469	-446
Change in wages and salaries -0.25 %	-69	-62
Change in wages and salaries +0.25 %	71	64

27 EQUITY

27.1 Share capital	12/31/2017 Number/CHF	12/31/2016 Number/CHF
Number of shares	4 462 971	4 462 971
Nominal value	10	10
Share capital	44 629 710	44 629 710

27.2 Conditional capital – employee stock option plan	12/31/2017 in CHF 1 000	12/31/2016 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.

27.3 Authorized capital	31.12.2017 in CHF 1 000	31.12.2016 in CHF 1 000
Start of period	**6 000**	**–**
Created[1)]	–	6 000
Used	–	–
Expired	–	–
End of period	**6 000**	**6 000**

1) According to the decision of the Annual General Meeting of April 19, 2016, the Board of Directors is authorized to create capital up to a maximum amount of kCHF 6 000 as required through the issue of up to 600 000 new shares, each having a nominal value of CHF 10. The new shares are to be paid up in full. The Board of Directors is authorized to restrict or exclude subscription rights under certain circumstances. The new shares can be issued in one or more stages. The approval is limited to a period of two years. The authorized capital will expire on April 19, 2018.

27.4 Treasury shares – changes	12/31/2017 Number	in CHF 1 000	12/31/2016 Number	in CHF 1 000
Start of period	**6 742**	**660**	**10 558**	**905**
Bought	7 000		4 520	
Sale/transfer	-7 336		-8 336	
End of period	**6 406**	**703**	**6 742**	**660**
of which trading portfolio	6 406		6 742	

In the 2017 financial year, 7 000 shares were purchased at an average price of CHF 112.08 (previous year 4 520 shares at an average price of CHF 112.92) and 7 336 shares sold at an average price of CHF 113.25 (previous year 8 336 shares at an average price of CHF 97.82) for the share-based management remuneration. Treasury shares are reserved primarily for management remuneration.

28 CAPITAL PARTICIPATION PLANS

As a component of the bonus, 7 336 shares (previous year 8 336) were allocated to the Board of Directors, the Group Management and other managers in the financial year at a transaction value of kCHF 860 (previous year kCHF 951). Of this amount, 5 000 shares have been distributed in January 2018, 1 936 shares in December 2017 and 400 shares in March 2017. All shares were transferred from treasury shares and were transferred directly to the ownership of the recipient.

29 OFF-BALANCE SHEET TRANSACTIONS, CONTINGENT LIABILITIES

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Contingent obligations	3 268	2 664
Contingent liabilities	**3 268**	**2 664**

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 443 (previous year kCHF 398) 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.

In Germany, the works councils of a number of Feintool companies have established a Group works council. Feintool disputes the basis for establishing this body. The Weiden (Germany) labor court agreed with Feintool's position in full in the first and second instance. The Works Council of one company appealed the ruling in federal court. The next trial will take place in early summer 2018. Feintool believes, however, that these proceedings will not have a significant effect on the Group's financial position, operating results or cash flows.

In the US, Feintool delivered defective parts to a customer. The customer is currently demanding compensation from Feintool for costs incurred, which have not yet been substantiated. In autumn 2017, the customer as well as the end customer have brought a claim against Feintool. Feintool is of the opinion, however, that it is not or is only partially responsible for the cause of the defect. Furthermore, any damage to third parties would also be covered by insurance. On the basis of the information available today, this case will not have a significant effect on the Group's financial position, results of operations and cash flows.

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

	12/31/2017	12/31/2016
	in CHF 1 000	in CHF 1 000
Real estate	6 367	6 613
Machinery and equipment	39 039	34 009
Assets pledged as security for own liabilities	**45 406**	**40 622**

31 ECONOMIC RISKS

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

Management of financial risks

Financial risk management is based on the directives approved by the Board of Directors and Group Management. 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 promissory note in the amount of EUR 65 million (previous year EUR 65 million), a syndicated loan of CHF 90 million (previous year EUR 25 million) and several bilateral credit loans.

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, 2017, all covenants had been met. As at December 31, 2017, Feintool had CHF 81.8 million (previous year CHF 25 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
12/31/2017						
Liabilities [1]	**66 289**	66 289	–	–	–	**66 289**
Accrued expenses and deferred income [2]	**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	**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**
12/31/2016						
Liabilities	**63 866**	63 866	–	–	–	**63 866**
Accrued expenses and deferred income	**11 423**	11 423	–	–	–	**11 423**
Current liabilities to banks	**5 853**	5 853	–	–	–	**5 853**
Lease liabilities	**26 445**	7 696	13 460	5 863	–	**27 019**
Other liabilities to banks/bonds	**76 626**	2 370	3 413	31 167	44 602	**81 552**
Total	**184 213**	**91 208**	**16 873**	**37 030**	**44 602**	**189 713**
Foreign exchange futures [3]						
Cash inflows	**135**	135	–	–	–	**135**
Cash outflows	**105**	105	–	–	–	**105**

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

[2] Excluding accruals for salary, bonus and overtime.

[3] As at December 31, 2017, the contractual values of the forward exchange deals amounted to kCHF 25 617 (previous year kCHF 19 563).

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 interest rate would adversely affect pretax profits by kCHF 73.

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), Japanese yen (JPY) and the Chinese currency yuan (CNY). The Czeck crown – the CZK – is increasingly important. 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 and equity if foreign currencies were to appreciate by 5 % versus the Swiss franc and simultaneously all other variables were to remain the same.

		2017		**2016**
Sensitivity analysis exchange rate risk	Base amounts in EUR 1 000 / USD 1 000	Effect in CHF 1 000	Base amounts in EUR 1 000 / USD 1 000	Effect in CHF 1 000
EUR – Comprehensive Incom	18 059	-1 056	27 599	-1 462
USD – Comprehensive Income	3 991	-87	6 653	-473
Equity (EUR)	–	–	10 300	-553

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. 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 fair value of the recognized financial assets with the exception of financial guarantee contracts. In this case, the guaranteed amount represents the credit risk, with Feintool retaining the press sold at the time in the event of a warranty being taken up.

Default risk

Default risk is the risk that a counterparty will be unable to meet its liabilities to the Group companies. By avoiding cluster risk and concentrating financial investments among first-class counterparties, it should be possible to avoid extensive credit default risk. The 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, 2017, the overall default risk amounts to kCHF 150 361 (previous year kCHF 169 634). Feintool generates more than 17.4 % (previous year 17.1%) of consolidated sales from one customer. Income is generated in all segments. With the other customers, the share is less than 14.3 % (previous year 11.5 %) 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	Cash and cash equivalents	Prepaid expenses and accrued income [1]	Receivables	Financial assets	Total
Cash and cash equivalents		52 384	–	–	–	**52 384**
Financial assets at fair value through profit and loss held for trading		–	429	–	–	**429**
Loans and receivables		–	218	93 630	1 629	**95 477**
Carrying amounts as at 12/31/2017		**52 384**	**647**	**93 630**	**1 629**	**148 290**
Cash and cash equivalents		92 752	–	–	–	**92 752**
Financial assets at fair value through profit and loss held for trading		–	135	–	–	**135**
Loans and receivables		–	2 016	73 139	1 592	**76 747**
Carrying amounts as at 12/31/2016		**92 752**	**2 151**	**73 139**	**1 592**	**169 634**

32.2 Financial liabilities	in CHF 1 000	Trade payables	Accrued expenses and deferred income [2]	Current financial liabilities	Non-current financial liabilities	Total
Financial liabilities held for trading		–	–	–	–	**–**
Other financial liabilities		66 289	12 214	30 742	103 505	**212 750**
Carrying amounts as at 12/31/2017		**66 289**	**12 214**	**30 742**	**103 505**	**212 750**
Financial liabilities held for trading		–	–	–	–	**–**
Other financial liabilities		63 866	11 423	15 919	93 005	**184 213**
Carrying amounts as at 12/31/2016		**63 866**	**11 423**	**15 919**	**93 005**	**184 213**

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 427 net (previous year kCHF 30).

32.4 Classification of financial income/financial expenses in CHF 1 000	Cash and cash equivalents	Held for trading	Loans and receivables	Other financial liabilities	Total
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**
Carrying amounts as at 12/31/2016	**92 752**	**30**	**76 747**	**184 213**	
Interest income/expenses	–	–	124	-2 829	**-2 705**
Other financial income/finance expenses	–	-696	-428	188	**-936**
Change in valuation allowances on customer receivables and bad debt losses	–	–	-539	–	**-539**
Total net gain/loss 2016	**–**	**-696**	**-843**	**-2 641**	**-4 180**

32.5 Derivative financial instruments outstanding in CHF 1 000	Fair values positive	Fair values negative	Contract volumes
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**
Futures contracts	135	105	19 563
Currency instruments	**135**	**105**	**19 563**
Total derivative financial instruments as at 12/31/2016	**135**	**105**	**19 563**

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 2 896 (previous year kCHF 2 976).

	2017 in CHF 1 000	2016 in CHF 1 000
Pay (including cash bonuses), fees [1]	1 881	1 865
Contributions to pension plans	385	391
Share-based payment [2]	630	720
Total	**2 896**	**2 976**

[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 2017 financial year, the shares were transferred on January 3, 2018. 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	2017 in CHF 1 000	2016 in CHF 1 000
Balance Sheet		
Trade receivables [1]	47	59
Income Statement		
Net sales [1]	823	511

[1] Transactions with Muhr und Bender KG or its subsidiaries and with Franke Artemis Group, proceeded at arm's length.

34 MAJOR SHAREHOLDERS

		12/31/2017		12/31/2016	
	Date of notification	Number	Share of capital	Number	Share of capital
Artemis Beteiligungen I AG and Michael Pieper	09/30/2014	2 245 949	50.32 %	2 245 949	50.32 %
Muhr und Bender KG and Dr. Thomas Muhr [1]	10/02/2017	–	–	616 500	13.81 %
Geocent AG	07/15/2013	400 285	8.97 %	400 285	8.97 %

[1] Held by a subsidiary of Muhr und Bender KG and Dr. Thomas Muhr Beteiligungs AG. On October 2, 2017, Muhr und Bender KG and Dr. Thomas Muhr disclosed official that it had reduced its holding of Feintool shares of 615 000 (13.81 %) and had therefore fallen below the minimal reporting treshold of three percent.

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 5, 2018 and will be submitted to the Annual General Meeting for approval on April 24, 2018.

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, 2017 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 30 to 75) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, 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 2017 amounted to CHF 612,333 thousand. The segment System Parts contributed 89% to these revenues while the remaining 11% 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 according to the Percentage of Completion method (POC-method) if the corresponding criteria are met. The POC-method 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 risks and rewards 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 POC-method. 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 36-45

— Note 1 Segment Information on pages 46-48

— Note 3 Net Sales on page 49

Valuation and existence of inventories

Key Audit Matter

Inventory as of December, 31, 2017 amounted to CHF 56,430 thousand and represented a material position in the balance sheet.

Raw material: CHF 33,131 thousand
Finished and semi-finished goods: CHF 43,649 thousand
Valuation allowance on inventories: CHF -20,350 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 36-45

— Note 14 Inventories on page 55

KPMG

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

Carolin Hegerl
Licensed Audit Expert

Zurich, March 5, 2018

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

FEINTOOL INTERNATIONAL HOLDING AG

Financial Review of the 2017 Financial Year

(from January 1 to December 31, 2017)

FEINTOOL INTERNATIONAL HOLDING AG BALANCE SHEET

for the 2017 financial year (as at December 31, 2017)

	Note	12/31/2017 in CHF 1 000	in %	12/31/2016 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		12 844		31 232	
Trade and other receivables	1	14 445		13 269	
Tax receivables		–		2 274	
Prepaid expenses and accrued income	2	1 295		733	
Total current assets		**28 584**	**10.0**	**47 508**	**19.5**
Non-current assets					
Property, plant and equipment	3	198		272	
Intangible assets	4	3 465		1 872	
Financial assets	5	62 809		40 678	
Investments	6	190 096		153 454	
Total non-current assets		**256 568**	**90.0**	**196 276**	**80.5**
TOTAL ASSETS		**285 152**	**100.0**	**243 784**	**100.0**
LIABILITIES					
Current liabilities					
Current interest bearing liabilities	7	57 318		24 548	
Trade and other payables	8	7 842		8 948	
Accrued expenses and deferred income	9	6 018		5 281	
Total current liabilities		**71 178**	**25.0**	**38 777**	**15.9**
Non-current liabilities					
Non-current provisions	10	517		681	
Total non-current liabilities		**517**	**0.2**	**681**	**0.3**
Total liabilities		**71 695**	**25.1**	**39 458**	**16.2**
Shareholder's equity					
Share capital	11	44 630		44 630	
General legal reserves from capital contributions		102 645		111 569	
Free retained earnings					
(Loss)/Gain carryforward		48 876		28 200	
Result for the year		18 009		20 587	
Treasury shares	14	-703		-660	
Total shareholder's equity		**213 457**	**74.9**	**204 326**	**83.8**
TOTAL EQUITY AND LIABILITIES		**285 152**	**100.0**	**243 784**	**100.0**

FEINTOOL INTERNATIONAL HOLDING AG STATEMENT OF INCOME

for the 2017 financial year (January 1 to December 31, 2017)

	Note	2017 in CHF 1 000	2017 in %	2016 in CHF 1 000	2016 in %
INCOME					
Operating income	15	29 935	63.8	27 951	59.6
Financial income	16	9 012	19.2	6 945	14.8
Reversal of valuation allowance on investments	17	8 000	17.0	12 000	25.6
Total income		**46 947**	**100.0**	**46 896**	**100.0**
EXPENSES					
Personnel expenses	18	10 568	22.5	8 396	17.9
Other operating expenses	19	9 707	20.7	9 462	20.2
Depreciation		1 072	2.2	2 085	4.3
Financial expenses	20	8 140	17.3	6 366	13.7
Income Taxes		-549	-1.2	–	0.0
Total expenses		**28 938**	**61.6**	**26 309**	**56.1**
RESULT FOR THE YEAR		**18 009**	**38.4**	**20 587**	**43.9**

NOTES TO THE FINANCIAL STATEMENTS OF FEINTOOL INTERNATIONAL HOLDING AG

as at December 31, 2017

PRINCIPLE

General

Feintool International Holding AG has its headquarters in Lyss, Switzerland. The 2017 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

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Accounts receivable – third parties	507	180
Accounts receivable – intercompany	13 938	8 302
Interest bearing receivable – intercompany [1]	–	4 787
Total trade and other receivables	**14 445**	**13 269**

[1] Interest bearing receivable related to zero balance cash pools

2 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Prepaid expenses – third parties	1 094	515
Prepaid expenses – intercompany	201	218
Total prepaid expenses and accrued income	**1 295**	**733**

3 PROPERTY, PLANT AND EQUIPMENT

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Furniture and fixtures	35	72
Automotive	8	10
Other fixed assets	155	190
Total property, plant and equipment	**198**	**272**

4 INTANGIBLE ASSETS

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Cost for research and development	3 360	1 692
Software	69	108
Other intangible assets	36	72
Total intangible assets	**3 465**	**1 872**

5 FINANCIAL ASSETS

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Financial assets – intercompany	62 809	40 678
Total financial assets	**62 809**	**40 678**

6 INVESTMENTS

Company	Locations, country		Capital	December 31, 2017	December 31, 2016	Consolidation method
Feintool International Holding AG	**Lyss, CH**	**CHF**	**44 629 710**	**100 %**	**100 %**	**Full**
Feintool Automotive System Parts (Tianjin) Co. Ltd. [1]	Tianjin, CN	EUR	10 500 000	100 %	n/a	Full
Feintool Engineering Co. Ltd.	Atsugi, J	JPY	400 000 000	100 %	100 %	Full
Feintool Equipment AG	Lyss, CH	CHF	100 000	100 %	100 %	Full
Feintool Fineblanking Technology (Shanghai) Co., Ltd.	Shanghai, CN	USD	2 500 000	100 %	100 %	Full
Feintool Holding GmbH [2]	**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
Feintool Intellectual Property AG in Liq. [4]	Lyss, CH	CHF	100 000	n/a	100 %	Full
Feintool Japan Co. Ltd	Atsugi, J	JPY	225 000 000	100 %	100 %	Full
Feintool Precision System Parts (Taicang) Co. Ltd. [5]	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 [6]	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. [7]	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**
Columba GmbH [8]	Amberg, D	EUR	325 000	n/a	100 %	Full
Vireo GmbH [8]	Jena, GER	EUR	597 600	100 %	100 %	Full

[1] On April 13, 2017, Feintool International Holding AG, Lyss, 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.

[2] The headquarters of Feintool Holding GmbH was moved from Amberg, Germany to Bayreuth, Germany on February 10, 2017.

[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 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.

[5] The share capital of Feintool Precision System Parts (Taicang) Co., Ltd. was increased by kUSD 3 200 on January 6, 2016.

[6] On October 12, 2016, Feintool International Holding AG, Lyss, founded Feintool System Parts Most s.r.o. in Prague. The headquarters was moved to Most (CZ) on September 13, 2017.

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

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

7 CURRENT INTEREST-BEARING LIABILITIES

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Current interest bearing liabilities – third parties	8 190	1
Current interest bearing liabilities – intercompany [1)]	49 127	24 547
Total current interest bearing liabilities	**57 318**	**24 548**

1) Interest bearing liabilities related to zero balance cash pools

8 TRADE AND OTHER CURRENT PAYABLES

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Current liabilities – third parties	6 457	7 886
Current liabilities – related parties	157	158
Current liabilities – intercompany	1 228	891
Current liabilities – organs	–	13
Trade and other payables	**7 842**	**8 948**

9 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2017 in CHF 1 000	12/31/2016 in CHF 1 000
Accruals for salary, bonus, overtime	4 066	2 034
Outstanding accounts payable	1 131	1 115
Tax accruals	388	1 696
Other accrued expenses	183	130
Accrued expenses – intercompany	250	306
Total accrued expenses and deferred expense	**6 018**	**5 281**

10 NON-CURRENT PROVISIONS

Non-current provisions include provisions for insurance payments in the amount of kCHF 370 (previous year kCHF 533) and provisions for anniversary benefits of kCHF 147 (previous year kCHF 131).

11 SHARE CAPITAL

	12/31/2017 Number/CHF	12/31/2016 Number/CHF
Number of shares	4 462 971	4 462 971
Nominal value	10	10
Share capital	44 629 710	44 629 710

12 CONDITIONAL CAPITAL – EMPLOYEE STOCK OPTION PLAN

The disclosure of the conditional capital is represented in Note 27.2 on page 67 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 27.3 on page 67.

14 TREASURY SHARES

The disclosure of the treasury shares is represented in Note 27.4 on page 68 of the Notes to the Financial Statements.

15 OPERATING INCOME

	2017	**2016**
	in CHF 1 000	in CHF 1 000
Operating income – third party	388	277
Income from intercompany services	29 546	27 674
thereof licenses and patents	16 075	13 764
thereof other management services	6 171	7 084
thereof IT services	4 137	3 807
thereof internal services, building maintenance/services and staff restaurant	1 224	1 116
thereof other intercompany services	1 939	1 903
Total operating income	**29 935**	**27 951**

16 FINANCIAL INCOME

	2017	**2016**
	in CHF 1 000	in CHF 1 000
Investment income	307	–
Interest income – third party	31	63
Interest income – intercompany	817	649
Other finance income – intercompany	2 500	–
Foreign exchange gains	5 357	6 233
Total financial income	**9 012**	**6 945**

17 REVERSAL OF VALUATION ALLOWANCE ON INVESTMENTS

	2017	2016
	in CHF 1 000	in CHF 1 000
Reversal of valuation allowance on investments	8 000	12 000
Total reversal of valuation allowance on investments	**8 000**	**12 000**

18 PERSONNEL EXPENSES

	2017	2016
	in CHF 1 000	in CHF 1 000
Salaries and wages	6 417	6 309
Employee welfare expenses	1 568	1 147
Other personnel expenses	2 583	940
Total personnel expenses	**10 568**	**8 396**

Feintool International Holding AG employed 40 staff at the end of the year (previous year 35).

19 OTHER OPERATING EXPENSES

	2017	2016
	in CHF 1 000	in CHF 1 000
Research and development	3 056	3 273
Patents and licenses	266	220
Corporate communication and investor relations	705	676
Information technology	2 683	2 795
Consulting	1 119	677
Rent	482	510
Staff restaurant	442	503
Capital tax	300	312
Other expenses	655	496
Total other operating expenses	**9 707**	**9 462**

20 FINANCIAL EXPENSES

	2017	2016
	in CHF 1 000	in CHF 1 000
Interest expense – third party	265	77
Other finance costs – third party [1)]	378	721
Foreign exchange losses – third party	7 497	5 568
Total financial expenses	**8 140**	**6 366**

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

	2017 in CHF 1 000	2016 in CHF 1 000
Guarantees and sureties for Group companies	16 205	13 893
Pledging of shares of Group companies within the scope of bank credit limits [1]	–	35 000
Subordination clauses in favor of subsidiaries	8 955	8 000
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.

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

22 MAJOR SHAREHOLDERS

The disclosure of the major shareholders is represented in Note 34 on page 74 of the Notes to the Financial Statements.

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

	12/31/2017 Number of registered shares	12/31/2016 Number of registered shares
Alexander von Witzleben, Chairman of the Board of Directors [1]	25 057	22 181
Dr. Michael Soormann, Deputy Chairman of the Board of Directors	–	–
Wolfgang Feil, Member of the Board of Directors [2]	n/a	–
Dr. Kurt E. Stirnemann, Member of the Board of Directors [2]	n/a	–
Thomas A. Erb, Member of the Board of Directors	–	–
Dr. Thomas Muhr, Member of the Board of Directors [3]	–	616 500
Dr. Rolf-Dieter Kempis, Member of the Board of Directors from April 19, 2016 on	–	–
Heinz Loosli, Member of the Board of Directors from April 25, 2017 on [4]	3 481	3 217
Total Board of Directors	**28 538**	**638 681**
Bruno Malinek, CEO from 1 September 2016	1 064	1 064
Dr. Thomas F. Bögli, CFO	1 247	3 098
Total Group Management	**2 311**	**4 162**

[1] Held directly and indirectly; the 5 000 shares with a value of CHF 595 000 as remuneration for the 2017 financial year were assigned on January 4, 2018.

[2] The previous members of the Board of Directors, Wolfgang Feil and Dr. Kurt E. Stirnemann waived re-election on April 25, 2017.

[3] Held by a subsidiary of Muhr und Bender KG and Dr. Thomas Muhr Beteiligungs AG. On October 2, 2017, Muhr und Bender KG and Dr. Thomas Muhr disclosed official that it had reduced its holding of Feintool shares of 615 000 and had therefore fallen below the minimal reporting treshold of three percent.

[4] Heinz Loosli was employed as CEO until August 31, 2016. He assumed the position of member of the Board of Directors on April 25, 2017. The 264 shares as remuneration for the financial year were assigned on December 20, 2017.

24 LIABILITIES TO EMPLOYEE BENEFIT PLANS

There was no liability to the pension fund as of December 31, 2017 (previous year kCHF 137).

25 UNRECOGNIZED LEASE LIABILITIES

As at December 31, 2017, there were unrecognized lease liabilities of kCHF 2 194 (previous year kCHF 2 110).

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 2017 financial year. This corresponds to a maximum total dividend distribution of kCHF 8 926 (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.

	12/31/2017 in CHF
(Loss)/Gain carryforward from previous year	48 875 806
Result for the year	18 008 844
Available earnings	**66 884 651**
Allocation from general legal reserves from capital contributions	8 925 942
Payment of a dividend of CHF 2.00	-8 925 942
Gain Carryforward	**66 884 651**

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, 2017, 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 82 to 92) for the year ended December 31, 2017 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.

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.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 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.

KPMG

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

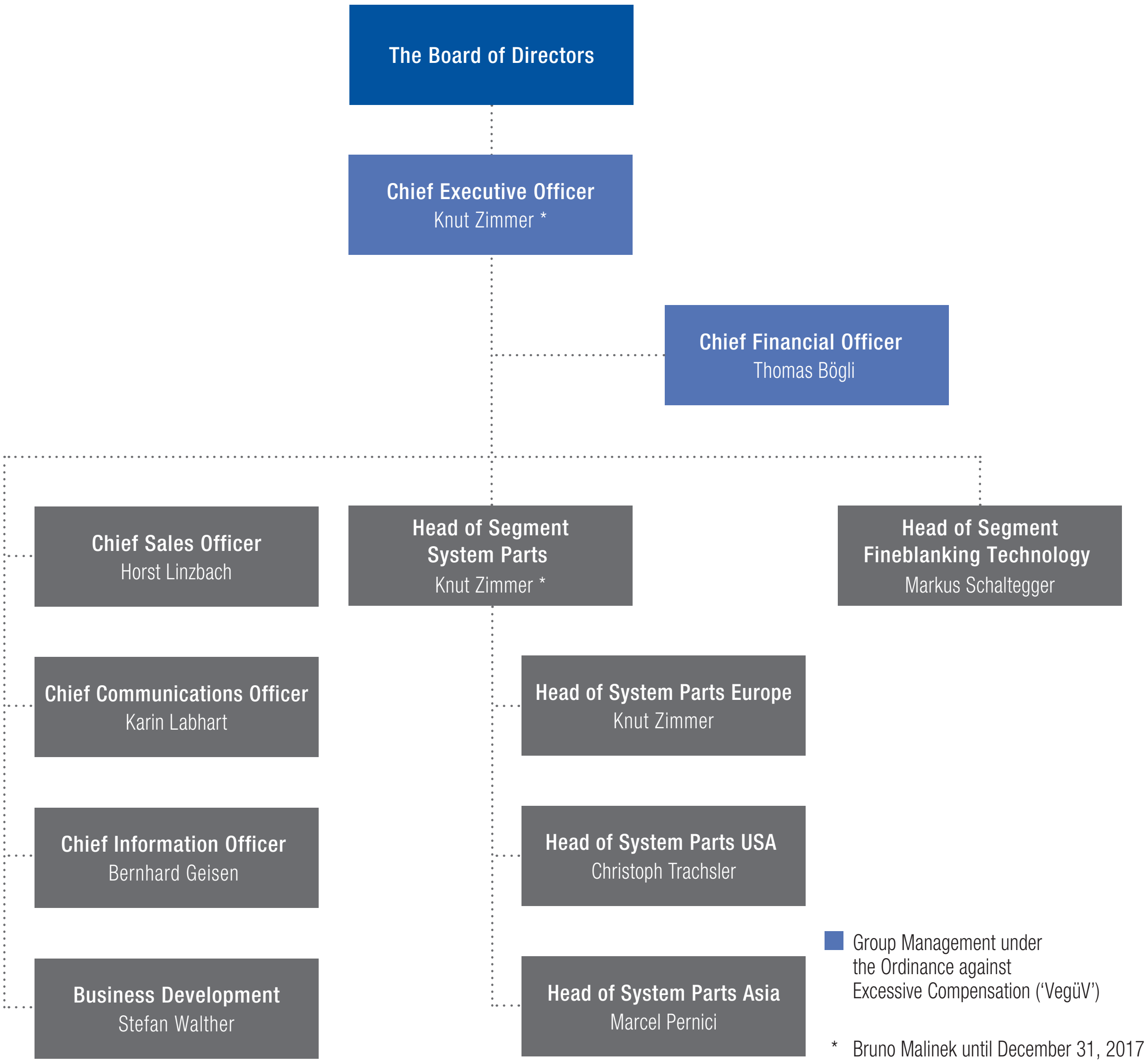
Carolin Hegerl
Licensed Audit Expert

Zurich, March 5, 2018

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 January 1, 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 www.feintool.com/fileadmin/user_upload/Unternehmen/Corporate_Governance/Grundsaetze/Statuten_2016_EN.pdf.html.

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 525 874 670 (as at December 31, 2017)

[1] Without 6 406 treasury shares.

Key share prices in 2017 financial year:

Highest	03/08/2017	CHF	132.40
Lowest	11/10/2017	CHF	107.80
Closing price	12/31/2017	CHF	118.00

With 1 678 shareholders (previous year 1 075), the number of shareholders increased over the last twelve months about 603. As of December 31, 2017, the free float increased to 40.71 % (previous year 26.90 %).

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

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 87.

1.2 Major shareholders

Name	Percentage ownership of total equity
Artemis Beteiligungen I AG and Michael Pieper	50.32 %
Geocent AG	8.97 %

On October 2, 2017, Muhr und Bender KG and Dr. Thomas Muhr, Germany, disclosed that it had reduced its holding of Feintool shares of 615 000 (13.81 %) and had therefore fallen below the reporting treshold of three percent.

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

2 CAPITAL STRUCTURE

2.1 Ordinary capital
As at December 31, 2017, the share capital of Feintool International Holding AG amounted to CHF 44 629 710, comprising 4 462 971 fully paid-up registered shares with a par value of CHF 10 each.

2.2 Authorized and conditional capital
Authorized capital
According to the decision of the Annual General Meeting of April 19, 2016, the Board of Directors was authorized to create capital up to a maximum amount of CHF 6 000 000 as needed through the issue of up to 600 000 new shares, each having a nominal value of CHF 10. The new shares are to be paid up in full. The Board of Directors is authorized to restrict or exclude subscription rights under certain circumstances. The shares can be issued in one or more steps. The authorization is limited to two years. The authorized capital will expire on April 19, 2018.

Conditional capital for stock options plans

In accordance with Art. 3b, para. 2 of the Articles of Association (www.feintool.com/fileadmin/user_upload/Unternehmen/Corporate_Governance/Grundsaetze/Statuten_2016_EN.pdf.html), 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 67 and 88 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
12/31/2017	held				44 629 710	4 462 971

1) in CHF

Authorized capital

Date	Description	Number	Par value 1)	Increase/ decrease 1)	Capital 1)	Number of shares
12/31/2014	held				–	–
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

1) in CHF

2) According to the decision of the Annual General Meeting of April 19, 2016, the Board of Directors is authorized to create capital up to a maximum amount of kCHF 6 000 as required through the issue of up to 600 000 new shares, each having a nominal value of CHF 10. The approval is limited to a period of two years. The new shares can be issued in one or more stages. The authorized capital will expire on April 19, 2018.

Conditional capital for stock option plans

Date	Description	Number	Par value 1)	Increase/ decrease 1)	Capital 1)	Number of shares
12/31/2014	held				557 500	55 750
12/31/2015	held				557 500	55 750
12/31/2016	held				557 500	55 750
12/31/2017	held				557 500	55 750

1) in CHF

For details on financial years prior to 2014, please refer to page 83 onwards of the 2014 Annual Report.

2.4 Shares

The 4 462 971 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, 2017.

MEMBERS OF THE BOARD OF DIRECTORS, FEINTOOL INTERNATIONAL HOLDING AG

As at December 31, 2017

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

DR. ROLF-DIETER KEMPIS
(1953, GERMAN NATIONAL)

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

Qualifications:
1976 Degree in mechanical engineering (Dipl.-Ing. Maschinenbau, RWTH Aachen); 1978 Degree in industrial engineering (Dipl.-Wirtsch.-Ing., RWTH Aachen); 1981 Doctorate in engineering (Dr. Ing., RWTH Aachen); Thesis: FEM calculations in the reactor industry

Professional background:
- 1976–1981 Assistant at the Institute for Machine Elements (RWTH Aachen)
- 1981–82 Production planning assistant (Thyssen Stahl AG)
- 1983–05 McKinsey & Company (Consultant, Principal, Dir.)
- 2005–07 Supervisory Board, Grammer AG
- 2007–10 Chairman of the Board, Grammer AG
- 2011–14 Supervisory Board, SMT-Scharf AG
- 2011–13 Chairman of the Advisory Board, Novem Beteiligungs GmbH
- Since 2010 Freelance consultant
- Since 2014 Partner, Theron Advisory Group
- Since 2015 Managing Director of Theron Waldenburg GmbH
- Since 2015 Advisory board Muhr und Bender KG

Other activities and skills:
- Author/co-author of several management text books: "Einfach überlegen" (1993), "Qualität gewinnt" (1995), "Do IT smart" (1998), "Innovation in der Stahlindustrie" (2001)
- Functional subject areas covered by consulting activities: Operations, strategy, M&A
- Industrial competencies covered by consulting activities: Automotive manufacturing/supply industry, metallurgy (steel, aluminum, copper), mechanical engineering

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, Königs-bach-Stein

DR.-ING. DR.-ING. H.C. THOMAS MUHR (1963, GERMAN NATIONAL)

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

Qualifications:
Studied business administration and metallurgy at RWTH University Aachen (GER)
Doctorate at RWTH Aachen (GER) 1992

Professional background:
- 1989–1991 Assistant the company management, Muhr und Bender KG, Attendorn (GER)
- 1992–1993 Assistant to the management of the engines and purchasing division, BMW AG, Munich (GER)
- 1994–1997 Technical manager responsible for production and production development, Muhr und Bender KG, Attendorn (GER)
- Since 1998 Managing associate, Muhr und Bender KG, Attendorn (GER)

Other activities and commitments:
- Member of the advisory board of the Parts and Accessories Producer Group, German Association of the Automotive Industry, Berlin (GER)
- Member of the senate of acatech, German academy of technical science, Munich (GER)
- Member of the board of directors of proRWTH, friends and sponsors of RWTH University Aachen e.V., Aachen (GER)
- Honorary doctorate of RWTH University Aachen, Aachen (GER)

Business relationships
Several subsidiaries of Muhr und Bender KG, Attendorn, are in business relationships with Feintool. All transactions are conducted at arm’s length.

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors
As of December 31, 2017, the Board of Directors comprised six members. Heinz Loosli was elected to the Board of Directors as a new member at the General Meeting on April 25, 2017. The previous members of the Board of Directors, Wolfgang Feil and Dr. Kurt Stirnemann, waived further candidacy. 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 24, 2018
Dr. Michael Soormann	2010	April 24, 2018
Thomas A. Erb	2012	April 24, 2018
Dr. Rolf-Dieter Kempis	2016	April 24, 2018
Heinz Loosli	2017	April 24, 2018
Dr. Thomas Muhr	2014	April 24, 2018

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 2017 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 six 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 four 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 112). 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, 2017

BRUNO MALINEK
(1966, GERMAN NATIONAL) (until December 31, 2017)

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

Qualifications:
Degree (Dipl.-Ing.) in mechanical engineering, university of applied sciences
Toolmaker

Professional background:
- 1992–1994 Thyssen Nothelfer GmbH: Design engineer
- 1994–1999 ElringKlinger GmbH: Technical Manager
- 1999–2001 WMU GmbH: Works Manager
- 2001–2015 ElringKlinger AG: Head of business area
- 2015: Head of System Parts segment, Feintool Group
- Since September 1, 2016: CEO of the Feintool Group and Head of System Parts segment

Other activities and commitments:
None

KNUT ZIMMER
(1963, GERMAN NATIONAL) (since January 1, 2018)

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
- Seit 1. August 2017:
  Head of Business Unit System Parts Europe
- Seit 1. August 2017:
  Leiter Business Unit System Parts Europe
- Seit 1. Januar 2018: CEO of the Feintool Group and
  Head of System Parts segment

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 January 1, 2018. The management structure can be found in the organizational chart shown in section 1.1.1 on page 97 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/user_upload/Unternehmen/Corporate_Governance/Grundsaetze/Statuten_2016_EN.pdf.html.

5.4 Compensation for acting members of governing bodies
Full details of the effective compensation can be found on page 114 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 16, 2018 (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 25, 2017, 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 charged by KPMG AG in respect of the financial statements for the 2017 financial year amounted to CHF 488 000.

8.3 Additional fees

In the reporting period, KPMG AG billed an additional fee of CHF 15 000 for tax services.

8.4 Information instruments pertaining to external audit

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

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. Twentynine press releases were published during the financial year from January 1 to December 31, 2017. 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 60 individual meetings with existing or prospective investors. A further 50 or so existing or prospective investors were also welcomed at group meetings.

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

Bank	Name
Bank Vontobel AG	Michael Lichvar
Kepler Cheuvreux	Torsten Sauter
Research Partners AG	Ronald Wildmann
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 2017 financial year, two such letters were sent on the subjects of the 2016 year-end financial results and the 2017 interim results.

The latest corporate information can be found on our website under "Media Releases" (http://www.feintool.com/en/newsroom/news.html). You can also subscribe to this information by filling out the contact form on the website (http://www.feintool.com/en/newsroom/media-contacts.html). 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

The Board of Directors of Feintool International Holding AG appointed Knut Zimmer as CEO, effective January 1, 2018. The former CEO Bruno Malinek left the company on December 31, 2017.

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 long-term construction contracts (POC)
- 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 69.

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 2017 reflect the good 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 Current 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 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 [5]	27 499	–	2 186	**29 685**
Dr. Rolf-Dieter Kempis, Member	52 500	–	6 306	**58 806**
Heinz Loosli, Member [6]	36 666	–	15 648	**52 314**
Dr. Thomas Muhr, Member	50 000	–	–	**50 000**
Dr. Kurt E. Stirnemann, Member [5]	30 833	–	2 546	**33 379**
Total Board of Directors	**663 998**	**595 000**	**170 655**	**1 429 653**
In the 2016 financial year				
Alexander von Witzleben, Chairman	274 000	565 000	130 926	**969 926**
Dr. Michael Soormann, Deputy Chairman	137 500	–	–	**137 500**
Thomas A. Erb, Member	57 500	–	3 857	**61 357**
Wolfgang Feil, Member	85 000	–	6 828	**91 828**
Dr. Rolf-Dieter Kempis, Member	42 500	–	5 145	**47 645**
Dr. Thomas Muhr, Member	50 000	–	5 974	**55 974**
Dr. Kurt E. Stirnemann, Member	95 000	–	7 908	**102 908**
Total Board of Directors	**741 500**	**565 000**	**160 638**	**1 467 138**

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 444 620 (previous year CHF 422 202). 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) 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.

6) 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 Alexander von Witzleben, Chairman of the Board of Directors (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 Current 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 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**
In the 2016 financial year							
Heinz Loosli, CEO [6]		306 667	171 720	79 958	3 200	106 223	**667 768**
Bruno Malinek, CEO [6]		133 332	80 000	39 941	1 600	35 989	**290 862**
Dr. Thomas F. Bögli, CFO		336 000	85 860	34 963	4 800	88 607	**550 230**
Total Group Management		**775 999**	**337 580**	**154 862**	**9 600**	**230 819**	**1 508 860**

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 Thomas F. Bögli CHF 30 251 (previous year CHF 30 276; for Bruno Malinek in previous year CHF 34 591 and for Heinz Loosli in previous year CHF 69 266).

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) Heinz Loosli was employed as CEO until August 31, 2016. Bruno Malinek took over as CEO on September 1, 2016.

The highest compensation was paid to Alexander von Witzleben, Chairman of the Board of Directors (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 Group Management from September 1, 2016 until December 31, 2016 respectively from January 1, 2017 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
2017 total for former members		114 999	70 435	29 932	1 200	41 980	**258 546**
2016 total for former members		153 332	85 860	39 979	1 600	53 390	**334 161**

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

2) Bonus in accordance with individual contractual agreements. The 2016 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 2016 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 34 633 for the 2016 financial 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.

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, 2017. 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 114 to 116 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, 2017 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

Carolin Hegerl
Licensed Audit Expert

Zurich, March 5, 2018

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

GLOSSARY

Anticipated order releases in the series parts business – In the System Parts segment, orders backlog represents anticipated releases over the next six months. The customer can postpone, amend or cancel these releases at any time. To that extent, orders backlog in the series parts business is merely an important leading indicator.

Artemis Beteiligungen I AG – Investment company controlled by Franke Artemis Holding/Michael Pieper, which acquired a majority share of 50.32 % in Feintool as of 30 September 2014. It acquired all the shares from its affiliate Artemis Beteiligungen III AG, which held a majority share in Feintool as of April 7, 2011.

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

Carbon Disclosure Project – A not-for-profit organization that aims to create greater transparency as regards climate-changing greenhouse gas emissions; it acts on behalf of investors by annually collecting data and information on CO_2 emissions and climate hazards and risks, as well as the reduction targets and strategies of the companies taking part on a voluntary basis; it also manages the biggest database of its kind in the world.

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

Chipless forming – Forming means changing the shape of sheet steel with tools using processes such as bending. Unlike forging and casting techniques, chipless forming shapes the piece without the use of mechanical processing or machining (removing material). Nor does it rely on heat (cold forming). Chipless forming is an efficient technique that is particularly suitable for the manufacture of complex precision components such as those required by the automotive industry.

Dual-clutch transmission – Automatic gearbox that uses two clutches to enable a fully automatic gear change without interrupting the flow of power.

Earnings per share (EPS) – Net income divided by the average number of shares in circulation.

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

EBIT margin – The ratio of EBIT to sales.

EBITDA – Earnings before interest, taxes, depreciation and amortization: a company's earnings before taking account of these items; one of the most meaningful indicators of profitability.

EBITDA margin – The ratio of EBIT to sales.

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

ERCO – The Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares is a set of implementing rules issued by the Federal Council that takes effect on January 1, 2014; however, listed companies have until their 2015 annual general meeting to ensure full implementation of all provisions. The background to the ordinance is the so-called Minder Initiative "against fat-cat salaries", which was accepted in a referendum of Swiss voters in March 2013.

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

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

Freefloat – Percentage of the shares in a company that are not held by shareholders with more than 5 percent of the share capital each. Shares held by investment companies are always included in the free float.

IAS – International Accounting Standards; part of IFRS.

IFRS – International Financial Reporting Standards.

Net working capital (NWC) – Amount by which a company's current non interest-bearing assets exceed its current non interest-bearing liabilities.

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

Orders received/order backlog capital goods business – In the Fineblanking Technology segment, orders received/order backlog comprise legally binding orders.

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

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

- **HFAplus –** Hydraulic fineblanking presses. Mainly used for three-dimensional parts with stringent fineblanking and forming requirements. The HFTfit model was developed and launched specifically for the requirements of the Asian market.

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

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

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

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

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

Technology Centre – Lyss facility at which the entire fineblanking process takes place, from research and development, to engineering and through to tool production, testing and approval. At all other sites around the world, these are sales and service subsidiaries with a focus on the provision of advice and the sale of presses, systems, peripherals and tool systems. All technology centres form part of the Fineblanking Technology segment.

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

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as at December 31, 2017

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