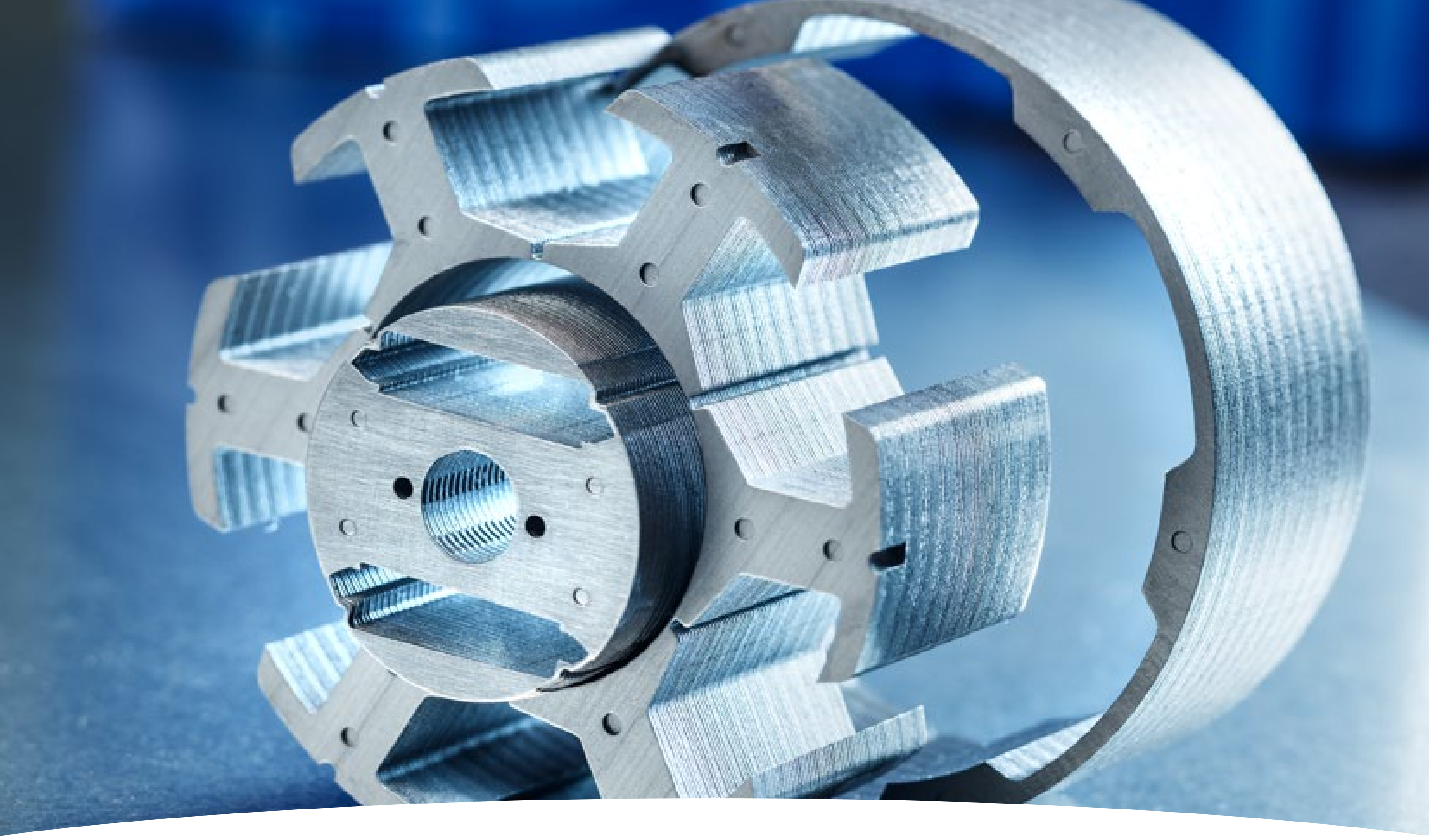

FEINTOOL GROUP

EXPANDING HORIZONS WITH FINEBLANKING, FORMING AND STAMPING

Report on Half-Year Figures, 1 January to 30 June 2018

FEINTOOL

EXPANDING HORIZONS

Key figures, first half year		Change vs. prev. year	2018 01/01/–06/30/18	2017 01/01/–06/30/17
Operating figures	in kCHF			
Net sales		13.6 %	337 259	296 805
Earnings before interest, taxes, depreciation and amortization (EBITDA) [1]		13.4 %	45 398	40 025
Operating profit (EBIT) [2]		14.4 %	25 706	22 466
Net earnings		20.3 %	16 854	14 012
Expected releases – high volume parts manufacturing		24.0 %	295 926	238 614
Orders received third (investment goods)		30.1 %	50 943	39 170
Orders backlog third as at 30.06. (investment goods)		67.1 %	46 323	27 723
Return figures	in %			
EBITDA-Margin [1]		0.0 %	13.5	13.5
EBIT-Margin [2]		0.0 %	7.6	7.6
Net return on sales		0.3 %	5.0	4.7
Other				
Number of employees (excl. apprentices)		8.1 %	2 604	2 409

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

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

Dear Shareholders, dear Sir/Madam,

Feintool has been able to conclude the first six months of the 2018 financial year with a pleasing result overall, continuing the growth trajectory of previous years. The net sales of the Feintool Group rose in the first half of the year by 13.6 % to CHF 337.3 million. Adjusted for currency effects, this corresponds to an increase of 7.3 %.

The growth driver was again the high-volume parts segment of the System Parts segment, both in Europe and increasingly also in China. The investment goods segment with presses and plants recovered. Thanks to excellent sales of press systems in the first six months of the year, the results in this area were the highest in eight years in terms of both net sales and incoming orders.

Dynamic market environment

Growth in the automotive industry continues to offer Feintool a solid starting position: The market for cars grew considerably in the first five months of 2018 according to the German Association of the Automotive Industry (VDA). In Europe and the USA, the market grew by 2.2 % and 1.2 % respectively. However, with 6.1 % market growth in the same period, China remains the biggest and fastest-growing market. Japan continues to lose momentum with -1.7 %. Feintool System Parts also outperformed the market in growth in Europe (+13.6 %) and China (>+20 %), while the USA (+0.3 %) is stagnating and Japan (-1.1 %) saw a slight fall. For the second half of 2018, USA customs policies are expected to have an impact on the industry. Nevertheless, Feintool expects to achieve its ambitious goals – in spite of the existing economic uncertainties – for 2018 as a whole, too.

Fineblanking Technology: fineblanking redefined

On May 7, 2018, Feintool presented a new generation of hydraulic presses to key customers for the first time. The system bearing the brand name FB one is part of a consolidated press concept that makes fineblanking more energy-efficient, connectable, reliable, cost-effective and high-performance. The strong demand signals positive business development for the Fineblanking Technology segment.

System Parts: investment in the growth market of electrification

At Feintool, the first half of the year was marked by considerable investments in the future. In terms of the medium-term development of automobile production, this is strongly influenced by the increasing electrification of vehicles, which stems from the rising significance of hybrid vehicles and growth in the premium segment. There are now more than 100 modern, top-of-the-range vehicles with electric engines, and this figure is rising.

With the acquisition of Stanz- und LaserTechnik Jessen GmbH (now Feintool System Parts Jessen GmbH) on July 31, 2018, Feintool is reacting to this development and expanding its strategic areas of business alongside fineblanking and forming in the market for electric vehicle components. The strongly growing company employs around 200 people and achieves net sales of around EUR 37 million in 2017. With Stanz- und LaserTechnik Jessen GmbH, Feintool has found a company that represents an ideal strategic fit. The technological expertise obtained through the acquisition is to be developed first in Europe and then, in further stages, on a global level. Yet beyond the automotive industry too, Feintool will benefit in future from the growing need worldwide for electric engines, for example in industrial applications (assembly robots) or in the energy sector (actuators for wind turbines). Feintool is aiming to expand the company's market position significantly over the coming years. Here, the company is focusing on the automobile growth markets in Germany, the USA, Japan and China, and is basing its development on its own expertise. This lies in the area of metalworking applications: fineblanking, forming and, in future, also punching and laser-cutting of electric engine components.

Optimistic outlook

Feintool expects the positive development of business to continue in the second half of the financial year 2018, albeit in a market environment characterized by political uncertainties and by the waste gas measuring cycle. Overall – taking into account the acquisition of Stanz- und LaserTechnik Jessen GmbH – we expect to see net sales of between CHF 670 million and CHF 700 million and an EBIT margin similar to that of the first half of 2018.

ALEXANDER VON WITZLEBEN
Chairman of the Board of Directors

KNUT ZIMMER
Chief Executive Officer

FINANCIAL REVIEW

as at June 30, 2018

BUSINESS PERFORMANCE

General

This consolidated half-year report applies to Feintool International Holding AG and all its subsidiaries. It covers the period from January 1 to June 30, 2018. The comparative period used is the same period of the previous year.

On April 13, 2017, Feintool International Holding AG, Lyss, took over the Schuler (Tianjin) Metal Forming Technology Center Co., Ltd. in Tianjin, China. The company was subsequently renamed Feintool Automotive System Parts (Tianjin) Co., Ltd. The net sales generated by this company amounted to CHF 3.0 million in the first quarter of 2018, hence the acquisition effect for the first half-year amounts to one percentage point. The company is still operating at a loss: The acquisition effect for the key profit figures is thus negative and therefore is not explicitly reported.

Orders received and orders backlog, expected releases

The parts business of the System Parts segment is short-term. Customers may delay releases they have already entered into the order system or even cancel them. As of June 30, 2018, Feintool's customers are expecting releases amounting to CHF 295.9 million for the next six months (previous year CHF 238.6 million). Compared to last year, this corresponds to an increase of 24.0 %, or 18.7 % after adjustment for currency effects. Nevertheless, it's worth noting that this value is merely an early indication.

29.9 %

Increase in orders received in the investment goods business

Orders received in the Fineblanking Technology segment rose in the period under review by 17.4 % to CHF 57.9 million (previous year CHF 49.3 million). Orders received from internal business fell in the period under review by 31.3 % to CHF 7.0 million (previous year CHF 10.1 million). Third-party orders thus amounted to CHF 50.9 million (previous year CHF 39.2 million) and rose after adjustment for currency effects by 29.9 %.

As of June 30, 2018, the orders backlog in the Fineblanking Technology segment amounted to CHF 47.2 million, unchanged compared to the same time twelve months previously; compared to December 31, 2017, the backlog rose slightly by CHF 1.8 million. Just 1.9 % of today's orders backlog are orders from Feintool companies, while twelve months ago the proportion was still 41.3 %. The existing backlog signifies full capacity utilization in the long-term press business of around eight months.

Net sales

Consolidated sales rose in the period under review by 13.6 % to CHF 337.3 million (previous year CHF 296.8 million). Currency effects influenced net sales positively with CHF 9.9 million. In local currency, Feintool thus recorded net sales growth of 10.3 %, in this value included are net sales of CHF 3.0 million from a company acquired in the previous year. The System Parts segment achieved 87.3 % of third-party sales, while Fineblanking Technology contributed 12.7 %. The Fineblanking Technology segment was thus able to increase its share of net sales by 2.3 percentage points. Including internal net sales, the proportion of net sales from the investment goods business amounts to 15.3 %.

7.3 %

Sales growth in local currency
in the system parts segment

The parts business of the System Parts segment grew in the year under review by 11.0 % to CHF 295.2 million (previous year CHF 266.0 million). The positive currency effects amounted to CHF 9.9 million, so in local currency growth reached 7.3 %. The acquisition in the previous year of the Chinese forming plant influenced the growth by 1.1 percentage points. The European business achieved net sales of CHF 170.7 million which, adjusted for currency effects, corresponds to growth of 6.6 % (in the reporting currency +13.6 %). Net sales in the US stagnated – in spite of a sharp rise in steel prices – at CHF 91.8 million. Taking currency effects into account, Feintool grew slightly by 2.2 %. In Asia net sales rose to CHF 33.1 million, an increase of 27.1 % in local currency (in the reporting currency +31.5 %). The acquisition effect of the new forming plant in Tianjin amounted to CHF 3.0 million, or 9.1 percentage points, hence organic growth in Asia amounted to 15.2 % in local currency. The European locations' share of net sales rose slightly again to 57.7 % (previous year 56.3 %). In contrast, the share from sites in the US fell again to 31.1 % (previous year 34.3 %), whereby the varying development of the value of the euro and the US dollar played a role. The net sales generated in Asia amounted to 11.2 % (previous year 9.4 %), and the fundamental business developed positively in all regions, albeit to varying extents. Feintool calculates the regional distribution of net sales based on customers' domiciles. Many of the parts produced by Feintool, having been incorporated into modules or entire vehicles, are then exported to other countries/continents as part of these modules or vehicles. In line with this, the parts produced by Feintool are likely distributed more or less evenly across the regions of Europe, America and Asia.

The net sales of the Fineblanking Technology segment rose by 43.7 % to CHF 53.3 million (previous year CHF 37.1 million). The internal sales rose in the period under review by 67.2 %. Third-party sales rose by 39.0 % to CHF 42.9 million (previous year CHF 30.8 million). It was primarily increased press sales that brought about this positive development in net sales. The spare parts and service business developed with stability, while the tools business was no longer always able to fully utilize the existing capacity.

Overall, with CHF 187.0 million, the Feintool Group generated 55.5 % of third-party sales in Europe (previous year CHF 158.3 million and 53.3 %). Europe thus gained slightly greater significance once again. With net sales of CHF 91.5 million, proportionally 27.1 % (previous year CHF 91.1 million and 30.7 %), North America lost more than three percentage points in terms of geographical distribution of net sales. Net sales in Asia rose to CHF 58.7 million, which amounts to a ratio of 17.4 % (previous year CHF 47.4 million or 16.0 %). With net sales of CHF 4.4 million or 1.3 % (previous year 3.6 million and 1.2 %), the Swiss market is of marginal significance only for Feintool.

Gross margin

The gross margin fell compared to the previous year by 1.3 percentage points to 38.9 %; the gross profit thus amounted to CHF 131.3 million in the period under review. Based on volume, the gross profit increased by CHF 12.1 million. Changes in the product mix and persistently rising steel prices, as well as certain disruptions to production, had a negative effect of CHF 4.2 million.

In the Fineblanking Technology segment the gross margin fell significantly to 36.1 % (previous year 41.0 %). An increased proportion of presses, changes in the product mix and geographical displacements caused this fall.

The System Parts segment achieved a gross margin of 38.8 %, which was slightly down on last year's figure of 39.5 %. The improved capazity utilization of individual plants and cost optimizations at all locations did not adequately compensate for the contractually agreed cost reductions to customers and drastically higher steel prices in certain regions.

Key cost items

At CHF 157.0 million, material costs make up by far the largest expense item. In relation to net sales, this rose from 45.0 % to 46.6 %. Significantly higher steel prices and higher press sales are the reasons for this rise. Personnel costs rose by CHF 9.5 million to CHF 97.6 million and now amount to 28.9 % of net sales (previous year 29.7 %). In Fineblanking Technology the proportion of personnel costs fell significantly to 26.8 % (previous year 37.9 %). On the one hand, this is due to the organizational change whereby tool making in Europe – as in other regions – is now allocated to the area of System Parts. The significantly higher net sales enhanced this effect. In the area of System Parts, the proportion rose slightly to 26.9 % (previous year 26.3 %). The greater capacity utilization was able to compensate only partially for wage increases in Germany, additional expenditure for product shifts in Europe, and staff recruitment at the new plants in Most, Oelsnitz and Tianjin (China). The remaining net operational expenditure rose to CHF 41.3 million, although as a proportion of net sales it fell to 12.2 %.

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

13.5 %

EBITDA margin
of Feintool Group

The earnings before interest, taxes, depreciation and amortization (EBITDA) increased in the period under review by CHF 5.4 million, or – adjusted for currency effects – 9.9 % to CHF 45.4 million. The EBITDA margin remained at 13.5 %. In the capital-intensive parts business (System Parts), the EBITDA margin fell to 15.3 % (previous year 16.5 %). Significantly higher steel prices and contractually agreed price reductions on certain projects, as well as preparations for the build-up of capacities in the new plants were behind this development. In the investment goods business (Fineblanking Technology) the EBITDA margin rose significantly – driven by the higher net sales – from 1.2 % to 8.4 %.

Depreciations

Due to high capital expenditures in the area of System Parts, the depreciations in the period under review rose by CHF 2.1 million to CHF 19.7 million. This trend will continue over the coming months as the capital expenditures, amounting to CHF 57.2 million, far exceed depreciations once again in the period under review.

Operating profit (EBIT)

In the period under review Feintool achieved operating profit (EBIT) of CHF 25.7 million and an unchanged EBIT margin of 7.6 %. This corresponds to an increase of 10.9 % in local currency. The increase in the investment goods business compensated for higher starting costs in certain part-manufacturing plants.

The Fineblanking Technology segment recovered decisively compared to the unsatisfactory previous year. Due to significantly greater net sales, there was ultimately an operating profit (EBIT) of CHF 3.8 million (previous year: loss of CHF 0.5 million). Here, expenditure for research and development – as an investment in the future – was kept at a high level.

The operating profits of the System Parts segment fell slightly by CHF 1.0 million or 6.7 % (in local currency) to CHF 26.1 million (previous year CHF 27.1 million). Start-up costs for new products and costs for two new production sites were behind this development. Likewise, and according to agreement, sales prices fell for various products. The EBIT margin fell accordingly to 8.8 % compared to 10.2 % the previous year. The European locations contributed CHF 15.8 million to the result, which corresponds to a fall of 7.2 % year-on-year, expressed in local currency. Upfront costs for the plants in Oelsnitz and Most were the main drivers of this development. The American locations contributed an EBIT of CHF 9.9 million (+3.2 % adjusted for currency effects) to the result. Asia achieved an EBIT of CHF 0.4 million, although as expected, the new Chinese forming plant has not yet been turning a profit and had to settle for a loss of CHF 1.8 million.

The costs of the non-operating units amounted to CHF 4.1 million, while spending discipline resulted in savings amounting to CHF 0.5 million year-on-year.

Net financial result

The net financial result amounting to CHF -1.7 million (previous year CHF -2.1 million) improved significantly. The net interest expenses (including financing costs) rose – as a result of the significantly higher debts – to CHF 1.5 million (previous year CHF 1.2 million). On the other hand, during the period under review, Feintool recorded net currency gains amounting to CHF 0.3 million (previous year currency loss of CHF 0.8 million).

Taxes

The tax expenditure of the Feintool companies in the period under review amounted to CHF 7.2 million, which corresponds to a tax rate of 29.9 %. Feintool is active primarily in high taxation countries.

Net income

The net income amounts to CHF 16.9 million (previous year CHF 14.0 million) and thus increased by 19.8 % adjusted for currency effects. This corresponds to a net sales return of 5.0 % (previous year 4.7 %). Lower finance costs caused the slightly higher return on net sales.

CONSOLIDATED BALANCE SHEET

The consistently very high rate of investment and the significantly higher euro exchange rate influence the overall picture of the balance sheet significantly. Overall, the total assets rose by 6.4 % to CHF 635.9 million (December 31, 2017: CHF 597.4 million).

The current assets rose overall by CHF 5.0 million to CHF 260.3 million. The cash and cash equivalents fell by CHF 15.1 million to CHF 37.3 million. All other fundamental items of current assets rose – sometimes significantly. Trade and other receivables rose by CHF 11.3 million to CHF 125.3 million. The level of the receivables sold as part of the off-balance-sheet factoring program fell to CHF 10.6 million (December 31, 2017: CHF 11.1 million). The inventories and net assets from contract assets increased by CHF 5.4 million to CHF 90.0 million. Due to the significantly higher proportion of manufacturing orders accounted for across the period, the increase is disproportionately low compared to net sales. The prepaid expenses and accrued income rose to CHF 7.7 million.

57.2

Capital expenditures (in CHF Mio.)
in tangible and intangible assets

The operational net working capital rose by CHF 7.2 million to CHF 87.8 million and thus amounts to 13.0 % of the projected annual net sales (previous year 13.6 %) compared to December 31, 2017. The strongest negative impacts were caused by the increase in receivables of CHF 11.3 million and in inventories and net assets from contract assets of CHF 5.4 million, as well as the fall in non-interest-bearing liabilities amounting to CHF 2.2 million. Rising accrued expenses and deferred income (+ CHF 7.1 million) and increased provisions (+ CHF 3.5 million) exerted a positive effect on net working capital.

Non-current assets rose by CHF 33.5 million to CHF 375.5 million, while property, plant and equipment rose by CHF 36.6 million to CHF 316.5 million and caused – as a result of the high capital expenditures of CHF 57.2 million (previous year CHF 30.5 million) – the overall increase. The intangible assets fell by CHF 2.6 million to CHF 41.1 million. The position of the financial assets remained virtually unchanged at CHF 1.4 million. The deferred tax assets remained at CHF 16.5 million (December 31, 2017: CHF 16.7 million).

On the liability side of the balance sheet, the total liabilities rose overall by CHF 26.8 million to CHF 368.9 million. The trade and other payables fell by CHF 1.1 million but still amount to CHF 73.7 million. The accrued expenses and deferred income, the current and non-current provisions, and the deferred tax liabilities rose by CHF 11.0 million to CHF 74.6 million. The accrued expenses and deferred income here is influenced by the higher level of the still outstanding vendor invoices on the cutoff date. The employee benefit liabilities (IAS 19) fell slightly in the period under review – in spite of the higher number of employees in Switzerland – to CHF 57.0 million and now amounts to 32.5 % of the non-current liabilities.

The interest-bearing debt rose by CHF 20.6 million to CHF 154.8 million. CHF 103.4 million of the interest-bearing debt are non-current.

The net debt rose in the period under report due to the increased net working capital and higher capital expenditures to CHF 117.5 million (December 31, 2017: CHF 81.9 million). Nevertheless, Feintool has more than CHF 98.4 million in liquidity and confirmed, unused credit lines.

On June 30, 2018, the total equity amounted to CHF 266.9 million (December 31, 2017: CHF 255.2 million). The equity rate fell slightly from 42.7 % to 42.0 %. The consolidated statement of changes in equity shows that net income increased shareholder's equity by CHF 16.9 million. For its part, the distributed dividend reduced the equity by CHF 8.9 million. Translation differences recorded directly within equity amounting to CHF 1.4 million and actuarial gains from the pension fund (IAS 19) amounting to CHF 2.0 million had a positive influence overall. The other items had almost no influence.

CONSOLIDATED STATEMENT OF CASH FLOWS

At CHF 24.9 million, the cash flow from operating activities was notably higher than in the previous year (CHF 5.1 million). Here, it's particularly relevant that in the year under review the net current assets increased by CHF 15.4 million, while the increase in the same period last year amounted to CHF 29.9 million. The cash flow from investing activities was once again extremely negative at CHF 50.1 million (previous year CHF 52.5 million), whereby the previous year was influenced by the acquisition of the Chinese forming plant. The investment in property, plant and equipment rose again and amounted to CHF 52.7 million (previous year CHF 26.3 million). This meant that overall there is a free cash flow of CHF 25.2 million (previous year CHF 47.4 million). The cash drain from the dividends amounted to CHF 8.9 million, while the Group's liquidity fell by CHF 15.1 million to CHF 37.3 million.

EMPLOYEES

The number of employees* (excluding trainees) has increased since December 31, 2017 by 119, and now amounts to 2 604. In addition, there are 68 (December 31, 2017: 81) young people in training within the company. Thanks to its strong growth, the System Parts segment has created 186 new positions since December 31, 2017. For organizational reasons, the segment took over the tool making business in Europe, which meant 62 employees transferred to the System Parts segment. In total, 2 390 people work now in the parts business. In Europe the number rose by 128 people to 1 372, of which 62 came from the affiliated segment. Fourteen new positions were created in Asia, while in North America the number of employees rose by 42 to 654. The Fineblanking Technology segment employed 177 people (-62): 37 people are employed in areas that are not directly operational. Overall, Feintool employs 1 553 people in Europe (plus 63 trainees), of whom 439 (plus 33 trainees) are located in Switzerland. There are 664 people (plus five trainees) working in the USA and 387 in Asia.

* calculated as full-time equivalents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first half of 2018 (January 1 to June 30, 2018)

(unaudited)	Note	1st HY 2018 01/01/–06/30/2018 in CHF 1 000	in %	1st HY 2017 01/01/–06/30/2017 in CHF 1 000	in %
Net sales		**337 259**	**100.0**	**296 805**	**100.0**
Change in finished and semi-finished goods and work in progress		2 497		787	
Self-constructed assets		1 556		1 620	
Material cost		-157 025		-133 661	
Personnel expenses		-97 605		-88 099	
Other operating expenses		-42 545		-38 591	
Other operating income		1 261		1 164	
Earnings before interest, taxes, depreciation and amortization (EBITDA) [1]		**45 398**	**13.5**	**40 025**	**13.5**
Depreciation and amortization		-19 692		-17 559	
Operating profit (EBIT) [2]		**25 706**	**7.6**	**22 466**	**7.6**
Financial expenses	3	-12 132		-5 590	
Financial income	3	10 472		3 459	
Earnings before taxes		**24 046**	**7.1**	**20 335**	**6.9**
Income taxes		-7 192		-6 323	
Net income attributable to Feintool Holding shareholders		**16 854**	**5.0**	**14 012**	**4.7**

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

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

(unaudited)	Note	1st HY 2018 01/01/–06/30/2018 in CHF 1 000	in %	1st HY 2017 01/01/–06/30/2017 in CHF 1 000	in %
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences		1 407		-7 390	
Items that may not be reclassified to profit or loss					
Remeasurement of net defined benefit liability (asset)		2 600		2 642	
Income taxes on other comprehensive income		-597		-581	
Total other comprehensive income		**3 410**		**-5 329**	
Total comprehensive income attributable to Feintool Holding shareholders		**20 264**		**8 683**	
Net income attributable to Feintool Holding shareholders		16 854		14 012	
Total comprehensive income attributable to Feintool Holding shareholders		20 264		8 683	
Basic earnings per share (in CHF)		3.78		3.14	
Diluted earnings per share (in CHF)		3.78		3.14	
Number of employees					
Number of employees excl. 68 (previous year 59) trainees		**2 604**		**2 409**	

CONSOLIDATED BALANCE SHEET

for the first half of 2018 (as at June 30, 2018)

(unaudited)	Note	06/30/2018 in CHF 1 000	in %	12/31/2017 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		37 297		52 384	
Trade and other receivables		123 015		111 486	
Tax receivables		2 295		2 547	
Inventories		64 948		56 430	
Net assets of contract assets	2	25 070		28 201	
Prepaid expenses and accrued income		7 713		4 270	
Total current assets		**260 338**	**40.9**	**255 318**	**42.7**
Non-current assets					
Property, plant and equipment		316 536		279 979	
Intangible assets		41 091		43 732	
Financial assets		1 436		1 629	
Deferred tax assets		16 469		16 722	
Total non-current assets		**375 532**	**59.1**	**342 062**	**57.3**
TOTAL ASSETS		**635 870**	**100.0**	**597 380**	**100.0**
LIABILITIES					
Current liabilities					
Financial liabilities		51 439		30 742	
Trade and other payables		73 729		74 825	
Tax liabilities		8 758		9 870	
Accrued expenses and deferred income		49 547		42 474	
Current provisions		10 096		6 575	
Total current liabilities		**193 569**	**30.4**	**164 486**	**27.5**
Non-current liabilities					
Financial liabilities		103 388		103 505	
Non-current provisions		2 082		1 793	
Deferred tax liabilities		12 913		12 843	
Employee benefit liabilities		56 986		59 531	
Total non-current liabilities		**175 369**	**27.6**	**177 672**	**29.8**
Total liabilities		**368 938**	**58.0**	**342 158**	**57.3**
Equity					
Share capital	4	44 630		44 630	
Capital reserves		81 777		90 929	
Retained earnings		164 498		145 643	
Treasury shares		-103		-703	
Translation differences		-23 870		-25 277	
Total equity		**266 932**	**42.0**	**255 222**	**42.7**
TOTAL EQUITY AND LIABILITIES		**635 870**	**100.0**	**597 380**	**100.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first half of 2018

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Retained earnings	Translation differences	Total equity
January 1, 2017	**44 630**	**-660**	**99 734**	**114 093**	**-27 872**	**229 925**
Translation differences	–	–	–	–	-7 390	-7 390
Remeasurement of net defined benefit liability (asset), net of tax	–	–	–	2 061	–	2 061
Total other comprehensive income	**–**	**–**	**–**	**2 061**	**-7 390**	**-5 329**
Net income attributable to Feintool Holding shareholders	–	–	–	14 012		14 012
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**16 073**	**-7 390**	**8 683**
Dividend [1]	–	–	-8 923	–	–	-8 923
Share-based management remuneration [2]	–	529	-217	–	–	312
June 30, 2017	**44 630**	**-131**	**90 594**	**130 166**	**-35 262**	**229 997**
January 1, 2018	**44 630**	**-703**	**90 929**	**145 643**	**-25 277**	**255 222**
Translation differences	–	–	–	–	1 407	1 407
Remeasurement of net defined benefit liability (asset), net of tax	–	–	–	1 989	–	1 989
Other line items	–	–	–	12	–	12
Total other comprehensive income	**–**	**–**	**–**	**2 001**	**1 407**	**3 408**
Net income attributable to Feintool Holding shareholders	–	–	–	16 854		16 854
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**18 855**	**1 407**	**20 262**
Dividend [3]	–	–	-8 924	–	–	-8 924
Share-based management remuneration [2]	–	600	-228	–	–	372
June 30, 2018	**44 630**	**-103**	**81 777**	**164 498**	**-23 870**	**266 932**

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first half of 2018

(unaudited)	Note	1st HY 2018 01/01/–06/30/2018 in CHF 1 000	1st HY 2017 01/01/–06/30/2017 in CHF 1 000
Net income of the Feintool Group		16 854	14 012
Depreciation and amortization		19 692	17 559
(Gain)/loss on disposal of property, plant and equipment		-393	-42
Increase/(decrease) in provisions and valuation allowances		4 252	1 322
(Increase)/decrease in deferred taxes		12	266
Other non-cash changes		-684	-345
Income taxes		7 192	6 323
Cash flows from operating activities before change in net working capital (NWC)		**46 925**	**39 095**
Increase/decrease in:			
Accounts receivables		-10 226	-16 866
Inventories		-6 692	-13 286
Prepaid and accrued expenses and income		3 627	7 164
Accounts payables		-1 492	-4 031
Other net working capital (NWC)		-600	-2 860
Income taxes paid		-6 685	-4 125
Cash flows from operating activities		**24 857**	**5 091**
Investments in property, plant and equipment		-52 730	-26 334
Disposals of property, plant and equipment		3 793	962
Investments in intangible assets		-1 641	-1 777
Increase in financial assets		–	-1 056
Decrease in financial assets		476	391
Purchase of consolidated investments net of cash		–	-24 723
Cash flows from investing activities		**-50 102**	**-52 537**
Free cash flow		**-25 245**	**-47 446**

(unaudited)	Note	1st HY 2018 01/01/–06/30/2018 in CHF 1 000	1st HY 2017 01/01/–06/30/2017 in CHF 1 000
Dividends paid	5	-8 924	-8 923
Sale of treasury shares		599	529
Borrowing of interest-bearing liabilities		35 636	15 185
Repayment of financial lease liabilities		-5 426	-1 189
Repayment of interest-bearing liabilities		-11 373	-2 571
Cash flows from financing activities		**10 512**	**3 031**
Increase/(decrease) in cash and cash equivalents		**-15 087**	**-45 196**
Cash and cash equivalents at the beginning of the period		52 384	92 752
Translation differences		-354	-781
Cash and cash equivalents at the end of the period		37 297	47 556
Interest paid		-938	-486
Interest received		31	11

NOTES TO THE HALF-YEAR REPORT

as at June 30, 2018

GENERAL PRINCIPLES

This unaudited, consolidated half-yearly financial statement of the Feintool Group is based on the individual financial statements of the Group companies as of June 30, 2018, which were prepared in accordance with uniform accounting policies, and released for publication by the Board of Directors on August 21, 2018.

With the exception of the changes to the accounting principles outlined below, the consolidated half-year result has been created according to the same valuation guidelines as the annual financial statement of December 31, 2017 and corresponds to the International Financial Reporting Standards (IFRS) in accordance with IAS 34 Interim Financial Reporting and the requirements of SIX Swiss Exchange. This half-yearly report does not include all the information and disclosures that are disclosed in the annual report of the Feintool Group as of December 31, 2017, and for that reason should be read in conjunction with it.

The consolidated half-yearly financial statement is shown in Swiss francs (CHF), rounded to the nearest thousand. It is produced in German and English. The half-yearly financial statement in German is the authoritative version.

CHANGES TO THE ACCOUNTING PRINCIPLES

With the exception of newly issued or revised Standards and Interpretations, which are applicable or have been modified in the reporting year, essentially the same accounting policies were applied as in the previous year.

On January 1, 2018, Feintool introduced the following new (adapted) Standards and Interpretations:

IFRS 9 – Financial Instruments

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

Classification and Valuation of financial assets

To a great extent, classification and valuation of financial assets under IFRS 9 incorporate the provisions relating to classification and valuation that were already provided for under IAS 39. In contrast to the old standard, the categories “Held-for-trading”, “Loans and receivables” and “Available-for-sale” are no longer applied.

Instead, in the first instance a company classifies a financial asset as “Amortized costs”, as “Fair value through other comprehensive income – debt investments”, as “Fair value through other comprehensive income – equity investments” or as “Fair value through profit and loss”. Classification is based on the basis of the company’s business model for the control of financial assets and the characteristics of the contractual payment flows of the financial asset.

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

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

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

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

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

In the initial calculation, the Feintool Group values a financial asset at fair value. For financial assets that are not valued at fair value through profit or loss, the valuation takes place with the addition or deduction of transaction costs that can be attributed directly to the acquisition or the disbursement of the financial asset.

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

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

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

Impairment of financial assets

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

Under IFRS 9, the expected credit losses are valued based on one of the following two principles:

- 12-month credit loss: default event is expected in the next 12 months;
- credit loss expected over the duration: default event is expected over the full duration.

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

A credit loss is expected in the following two cases:

- The borrower is unlikely to pay its credit obligations;
- the financial asset is overdue by more than 30 days.

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

According to IFRS 9, the expected credit losses must likewise be evaluated with the following financial assets:

- Cash and cash equivalents
- Prepaid expenses and accrued income
- Contract assets
- Non-current financial assets

Feintool does not expect any credit losses for these items. The avoidance of clumping risks and a concentration of the financial investments on first-rate counterparties should help to avoid bigger loan losses. The Feintool Group carries out its banking business exclusively with nationally and internationally renowned banks that boast a BBB rating or better. It specifies the type of transactions that the subsidiaries are permitted to carry out with the banks.

An overview of the original classification according to IAS 39 and the new one under IFRS 9 for the categories of financial assets that have switched to a new category is shown in the following table.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as of 12/31/2017 in CHF 1 000	New carrying amount under IFRS 9 as of 01/01/2018 in CHF 1 000
Cash and cash equivalents	Loans and receivables	Amortised cost	52 384	52 384
Trade and other receivables	Loans and receivables	Amortised cost	111 486	111 486
Loans to third parties	Loans and receivables	Amortised cost	104	104
Total financial assets			**163 974**	**163 974**

IFRS 15 – Revenue from contracts with customers

This standard has only a limited impact on the Group's financial situation and profits. Individual business transactions – which occur relatively rarely – are dealt with differently in the new standard and lead to increased volatility of the trading results. No such business transactions have occurred either in the period under review or in the financial year 2017 as a whole. The initial application of IFRS 15 takes place according to the complete retrospective methods.

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

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

Sale of series parts

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

Sale of presses and tools

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

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

The expenditure for expected warranty costs is incorporated in the calculation, and a corresponding accrued liability is shown via the material expenditure across the whole period. In warranty cases, the press is repaired and the accrued costs charged to the accrued liability. Under IAS 18, when the above-mentioned criteria were met, net sales and expenditure for presses and tools were accounted for by means of POC methods. In terms of content, there is no change here under the new standard.

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

Other new and revised standards

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

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

FUTURE CHANGES TO ACCOUNTING PRINCIPLES

Feintool constantly examines the effects of newly published accounting principles on the Group's financial position, results of operations or cash flows.

- IFRS 16 – Leases (January 1, 2019)

Feintool anticipates that this new standard will have material 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 1 to 2 % higher total assets, 3 to 5 % 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.

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

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

KEY ESTIMATES

The preparation of the consolidated half-yearly financial statements requires that the management makes assessments and assumptions which influence the amounts of assets and liabilities, the statement of contingent receivables and liabilities, as well as income and expenditure. Areas in which estimates have a significant influence on the carrying amount include the calculation of provisions, the economic useful life of the fixed assets, the assumptions of the 'value in use' calculation for goodwill, the expected future cash flow from capitalized development costs, the valuation of long-term construction contracts, the assessment of expected and deferred taxes, and the actuarial assumptions in the calculation of pension obligations. These estimates may differ from the actual results and hence have a significant impact on the Group's financial position, results of operations or cash flows.

Management and Board of Directors believe that the planning principles and assumptions are realistic.

CONTINGENT LIABILITIES/PURCHASE COMMITMENTS

The contingent liabilities arising from received funding, which has certain conditions attached, amount to CHF 3.5 million (previous year CHF 3.9 million).

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 434 (previous year kCHF 443) in its balance sheet for this remediation work. According to the information currently available, the White Plains cleanup will have no significant effect on the Group's financial position, operating results or cash flows.

In Germany, the works councils of some of the Feintool companies have established a group works council. Feintool is contesting the legal basis for its establishment. As the court of last instance, the German Federal Labor Court has fully accepted Feintool's position. These proceedings are thus concluded without any effect on the Group's asset, financial or income situation.

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 time of reporting, Feintool is not involved in any other significant legal proceedings. However, disputes regarding product liability, advertising activity, labor law and unfair dismissals, antitrust law, securities trading, sales and marketing practices, and health and safety, as well as claims in the areas of environment and tax, relating to government investigations, and copyright law are possible at any time. As a consequence of such proceedings, considerable claims may be made against Feintool, which may not be covered by insurance. Feintool is not currently aware of any factors which in its opinion could have a significant influence on the Group's asset, financial and income situation.

The Feintool Group has undertaken to purchase property, plant and equipment amounting to CHF 7.8 million (previous year CHF 17.2 million).

BASIS OF CONSOLIDATION

The consolidated half-yearly financial statements encompass the half yearly financial statement of Feintool International Holding AG, Lyss (Switzerland), in addition to the half-yearly financial statements of all Group companies in which Feintool International Holding AG directly or indirectly owns more than 50 % of the voting rights or which it controls in any other way. A list of all the subsidiaries is contained in the Annual Financial Report of December 31, 2017, page 87.

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

On October 12, 2017, Columba 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 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.

FINANCIAL COVENANTS

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

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

As of June 30 2018, CHF 28.9 million of the syndicated loan had been used (previous year CHF 10.9 million).

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 were unable to meet these covenants, the banks would have the right to terminate the loans at short notice.

As at June 30, 2018, all covenants had been met and Feintool has CHF 73.1 million (previous year CHF 79.1 million) in unused, confirmed creditlines at the bank.

SEASONALITY

The business segments of Feintool are subject to no significant seasonal fluctuations. The earnings arising from contract assets recognized over a specific period of time are distributed over the period.

The Feintool Group used the following exchange rates in the half-years:

		06/30/2018		06/30/2017	
		Closing rate	Average rate	Closing rate	Average rate
Eurozone	EUR 1	1.1569	1.1662	1.0930	1.0784
USA	USD 1	0.9924	0.9672	0.9578	0.9852
Czech Republic	CZK 100	4.4462	4.5597	4.1722	4.0304
Japan	JPY 100	0.8965	0.8912	0.8556	0.8781
China	CNY 100	14.9529	15.1486	14.0914	14.3155

1 SEGMENT INFORMATION

1.1 Products and services 1st HY 2018 (unaudited) in CHF 1 000	Fineblanking Technology	System Parts	**Total segments**	Finance/ Other	Eliminations	**Total Group**
Net sales	53 322	295 217	**348 539**	–	-11 280	**337 259**
- Intersegment income	-10 449	-831	**-11 280**	–	11 280	**–**
Total net sales – Group [1]	**42 873**	**294 386**	337 259	**–**	**–**	337 259
Gross margin [2]	19 274	114 490	**133 764**	-3	-2 510	**131 251**
EBITDA	**4 469**	**45 202**	49 671	**-3 145**	**-1 128**	45 398
Depreciation and amortization	-660	-19 137	**-19 797**	-929	1 034	**-19 692**
Operating profit (EBIT)	**3 809**	**26 065**	29 874	**-4 074**	**-94**	25 706
Financial expenses						**-12 132**
Financial income						**10 472**
Income taxes						**-7 192**
Net income attributable to Feintool Holding shareholders						16 854
Assets	**83 499**	**565 767**	649 266	**223 679**	**-237 075**	635 870
Net working capital [3]	**-1 964**	**103 283**	101 319	**27 407**	**-40 912**	87 814
Investments in property, plant and equipment/intangible assets (incl. leases)	**1 369**	**57 415**	58 784	**887**	**-2 503**	57 168
Number of employees	**177**	**2 390**	2 567	**37**	**–**	2 604

1.2 Geographical areas 1st HY 2018	Switzerland	Europe excl. Switzerland	America	Asia	**Total**
Total net sales – Group [4]	**4 443**	**182 573**	**91 529**	**58 714**	337 259
thereof Germany		118 361			
thereof USA			66 146		
thereof Japan				19 067	
thereof China				29 317	
Fixed and intangible assets	**53 229**	**148 252**	**85 331**	**70 815**	357 627

1.3 Products and services 1st HY 2017 (unaudited) in CHF 1 000	Fineblanking Technology	System Parts	**Total segments**	Finance/ Other	Eliminations	**Total Group**
Net sales	37 097	265 964	**303 061**	–	-6 256	**296 805**
- Intersegment income	-6 249	-7	**-6 256**	–	6 256	**–**
Total net sales – Group [1]	**30 848**	**265 957**	296 805	**–**	**–**	296 805
Gross margin [2]	15 223	105 171	**120 394**	–	-1 212	**119 182**
EBITDA	**432**	**43 944**	**44 376**	**-3 871**	**-480**	**40 025**
Depreciation and amortization	-893	-16 857	**-17 750**	-733	924	**-17 559**
Operating profit (EBIT)	**-461**	**27 087**	**26 626**	**-4 604**	**444**	**22 466**
Financial expenses						**-5 590**
Financial income						**3 459**
Income taxes						**-6 323**
Net income attributable to Feintool Holding shareholders						**14 012**
Assets	**65 556**	**464 972**	**530 528**	**177 324**	**-150 920**	**556 932**
Net working capital [3]	**12 806**	**79 990**	**92 796**	**20 312**	**-32 519**	**80 589**
Investments in property, plant and equipment/intangible assets (incl. leases)	**961**	**29 130**	**30 091**	**1 201**	**-819**	**30 473**
Number of employees	**234**	**2 139**	**2 373**	**36**	**–**	**2 409**

1.4 Geographical areas 1st HY 2017	Switzerland	Europe excl. Switzerland	America	Asia	**Total**
Total net sales – Group [4]	**3 585**	**154 688**	**91 089**	**47 443**	**296 805**
thereof Germany		107 357			
thereof USA			66 294		
thereof Japan				20 874	
thereof China				21 216	
Fixed and intangible assets	**45 743**	**128 381**	**78 488**	**48 362**	**300 974**

The following footnotes are applicable to the 2018 and 2017 half-year periods.

[1] Total Net Sales include Sales from products transferred over time about CHF 25.2 million. The net sales have been recognised in the Fineblanking Technology Segment.

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

[3] Net working capital comprises trade receivables, inventories, contract assets 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 will be included in the calculation for “Finances/Other”.

[4] Net sales are allocated to countries based on the customer’s domicile.

The following explanations on the segment information apply to the half-year periods of 2018 and 2017.

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

The System Parts segment develops, produces and sells high-precision system components and assemblies using fineblanking and forming technology. Furthermore, the production and internal sale of tools is also included in this segment.

For operational reasons, the tool making business in Switzerland has been shifted from Fineblanking Technology to the System Parts segment as of June 1, 2018. This affects 62 employees and assets amounting to CHF 3.3 million.

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

The operating profit/loss comprises all operating income and expenses directly attributable to the individual segments. This includes all cross-segment expenses, which are charged directly on an arm’s length basis. Feintool's financing is undertaken at Group level. Financial liabilities, financial expenses and income, as well as taxes, are therefore reported at Group level only and do not appear in the segment reports. There is no reconciliation of the data in management reports and data contained in the financial reports, as internal and external reporting are subject to the same valuation principles.

2 CONTRACT ASSETS

	06/30/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Contract assets	38 036	34 682
Prepayments received	-12 966	-6 481
Total net assets of construction assets	**25 070**	**28 201**

The gross margin recorded under “Contract assets” as at the closing date amounted to 36.7 % (previous year 37.6 %). No value adjustments are shown for contractual assets.

3 FINANCIAL RESULT AND DERIVATIVE FINANCIAL INSTRUMENTS

3.1 Financial expenses	1st HY 2018 in CHF 1 000	1st HY 2017 in CHF 1 000
Interest expense	1 503	1 237
Other finance costs [1]	489	522
Foreign exchange losses	10 140	3 831
Total financial expenses	**12 132**	**5 590**

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

3.2 Financial income	1st HY 2018 in CHF 1 000	1st HY 2017 in CHF 1 000
Interest income	34	36
Other financial income	9	362
Foreign exchange gains	10 429	3 061
Total financial income	**10 472**	**3 459**

3.3 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. These include currency forwards. Detailed information is disclosed in part "Derivative financial instruments outstanding".

3.4 Derivative financial instruments outstanding	in CHF 1 000	Fair values positive	 negative	 Contract volumes
Futures contracts		893	14	33 164
Currency instruments		**893**	**14**	**33 164**
Total derivative financial instruments as at 06/30/2018		**893**	**14**	**33 164**
Futures contracts		255	51	23 068
Currency instruments		**255**	**51**	**23 068**
Total derivative financial instruments as at 06/30/2017		**255**	**51**	**23 068**

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

3.5 Fair Values

The carrying amounts of the financial assets and liabilities do not differ materially from their fair values.

4 EQUITY

4.1 Authorized capital	1st HY 2018 in CHF 1 000	1st HY 2017 in CHF 1 000
Start of period	**6 000**	**6 000**
Expired	-6 000	–
Created	6 000	–
End of period	**6 000**	**6 000**

The authorized capital from the financial year 2016 amounting to no more than CHF 6 million expired on April 19, 2018. Nevertheless, authorization was granted to the Board of Directors once again through a resolution at the General Meeting of April 24, 2018. The new shares are to be paid up in full. The Board of Directors is authorized to restrict or exclude subscription rights under certain circumstances. The new shares can be issued in one or more stages. The approval is limited to a period of two years. The authorized capital will expire on April 24, 2020.

		06/30/2018		06/30/2017	
4.2 Major shareholders	Date of notification	Number	Share of capital	Number	Share of capital
Artemis Beteiligungen I AG und Michael Pieper	09/30/2014	2 245 949	50.32 %	2 245 949	50.32 %
Muhr und Bender KG und 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)] 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.

5 DIVIDEND

On the occasion of the Annual General Meeting of Feintool International Holding AG on April 24, 2018, the shareholders approved the distribution of a dividend of CHF 2.00 (previous year CHF 2.00) per share for financial year 2017. This led to a dividend payout of kCHF 8 924 (previous year: kCHF 8 923).

6 EVENTS AFTER THE BALANCE SHEET DATE

On July 31, 2018, Feintool took over the German company Stanzwerk Jessen GmbH, located in Jessen, Saxony-Anhalt, Germany, with its subsidiaries Jela GmbH, SLTJ GmbH and Stanz- und Laser Technik Jessen GmbH.

ADDRESSES OF OUR OPERATING COMPANIES

as at June 30, 2018

Company	Address	Phone/Fax	Mail
Switzerland			
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