FEINTOOL GROUP

EXPANDING HORIZONS WITH FINEBLANKING, FORMING AND STAMPING

Annual Report 2019

FEINTOOL

EXPANDING HORIZONS

KEY FIGURES AT A GLANCE

(ongoing operations only)

		2019 01/01/–12/31/19	2018 01/01/–12/31/18	2017 01/01/–12/31/17	2016 01/01/–12/31/16	2015 01/01/–12/31/15
Operating figures	in CHF m					
Expected releases – high volume parts manufacturing		265.2	286.1	264.0	240.9	209.6
Orders received third (investment goods)		50.5	87.7	82.7	57.2	77.2
Orders backlog third (investment goods)		18.5	31.0	38.3	19.1	36.0
Net sales		632.7	679.6	612.3	552.2	508.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)		67.7	89.7	83.2	76.0 [1]	61.4
Operating profit (EBIT)		18.9	47.5	46.3	41.3 [1]	32.9
Net earnings		10.7	30.5	27.7	26.6 [1]	20.1
Return figures	in %					
EBITDA margin		10.7	13.2	13.6	13.8 [1]	12.1
EBIT margin		3.0	7.0	7.6	7.5 [1]	6.5
Net return on sales		1.7	4.5	4.5	4.8 [1]	3.9
Cash flow and balance sheet statistics	in CHF m					
Cash flow from operating activities		82.0	67.0	38.5	74.1	40.1
Cash flow from investing activities (net)		-51.8	-121.0	-77.1	-59.4	-29.9
Free cash flow		30.2	-54.0	-38.6	14.7	10.2
Total assets		706.3	705.3	600.4	530.7	426.9
Equity		309.9	320.8	255.2	229.9	207.9
Liabilities		396.4	384.5	345.1	300.8	219.0
Net debt		140.8	147.9	81.9	16.2	11.1
Equity ratio		43.9 %	45.5 %	42.5 %	43.3 %	48.7 %
Gross investments		56.3	101.2	60.1	74.9	31.8
Key figures per share	in CHF					
Earnings per share (basic)		2.17	6.63	6.22	5.97 [1]	4.51
Dividend per share		1.00 [2]	2.00	2.00	2.00	1.50
Equity per share		63.05	65.26	57.19	51.61	46.72
Other						
Number of employees at year-end (excl. apprentices)		2 641	2 697	2 485	2 239	2 049

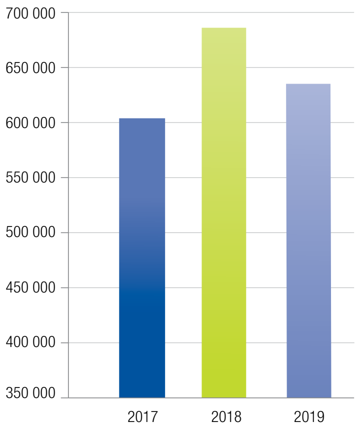
[1] In financial year 2016, the Swiss pension fund approved an amendment to the regulations, which, according to IAS 19, had a positive impact on the consolidated statement of comprehensive income in the previous period to the tune of kCHF 7 083 (amount excl. deferred taxes of kCHF 1 629). The EBITDA,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

[2] Board of Directors' proposal

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

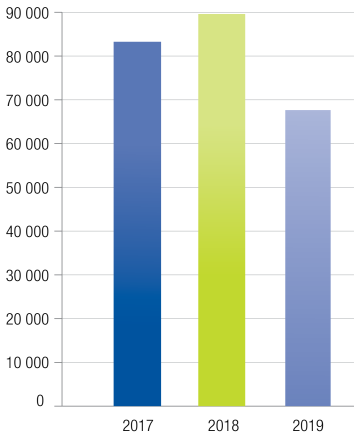
Netsales

in kCHF



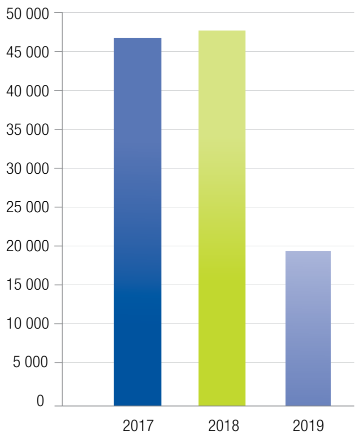
EBITDA

in kCHF



EBIT

in kCHF



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KNUT ZIMMER ALEXANDER VON WITZLEBEN

Dear Shareholders,

As already reported in the half-yearly report, the negative market trend in our industry that has been apparent since the beginning of the financial year also led to a sales decline at Feintool (–9.2% organically, in local currency). After ten years of global growth since the financial crisis, a slowdown has now occurred that has been accompanied by additional global trends in our industry. Over the long term, however, the automotive market – which is of vital importance to Feintool and as such, to personal mobility – will remain a global growth market. And Feintool, with its market-driven solutions, has a global presence and is well-positioned strategically in its key regions.

2019 market trends

The global economy and the global automotive market, with all of its applications in the vehicle including safety, seats, and the drivetrain, performed differently in the various regions, moving in different directions due to changing trade flows and regulatory environmental requirements. In a global automotive market that is weaker overall as a result of economic influences, premium vehicles, cars with automatic transmissions, vehicles with all-wheel drive, and hybrid and battery electric vehicles generally performed well, however, exhibiting significant growth in some cases. Although the total number of new vehicle registrations in the United States fell, the segments relevant to Feintool continued to grow. The general decline in new vehicle registrations therefore had little negative impact on Feintool in the United States. In Europe, the number of new registrations remained roughly stable compared to the previous year. In China, the market for passenger cars (i.e. new vehicle registrations) recorded a significant overall decline. Nevertheless, we were able to achieve satisfactory results in individual vehicle segments, in particular with parts for automatic transmissions. As a result, in China we also faced the challenge of balancing a general weakness in demand with the rapid expansion of capacities for formed parts, which are also used in automated transmissions. In Japan, our business, which is primarily focused on the seat and safety segments, continued to be profitable and remained stable year over year.

In the capital goods sector, we have seen that customers in every region are extremely reluctant to make capital expenditures due to the considerable uncertainties that exist. The global challenges facing the automotive industry described above are ultimately already having a considerable impact on the early-cycle mechanical and systems engineering sector, where significantly fewer orders are being placed. Nevertheless, Feintool is generally well positioned as the market leader and is poised to benefit over the coming years from significant research efforts in new applications.

Maintaining competitiveness

The order situation for our electrolamination stamping technology, which we acquired in 2018, is developing well. Here, the expertise we acquired enabled us to secure a global preproduction order from a well-known OEM for components used in the gear motor of a battery electric vehicle (BEV). In addition, advancements to the technology, which itself is new to Feintool, have been made in preparation for the expansion into China, and as a result, the production of in-tool lamination core stack components is expected to begin there in 2020. In our other technologies, forming and fineblanking, we have seen a considerable upturn in the number of inquiries for transmission parts received by our plants in all of the Feintool Group's regions from leading manufacturers in Europe, the United States, and also increasingly Japan. This leaves us feeling optimistic about the current and upcoming financial years.

Research and development progress

In the capital goods segment, intensive field tests have confirmed the expected benefits of the new FB one press generation. In 2020, Feintool will make the newly designed press available on the market in a variety of different capacities. During the reporting period, Feintool delivered its fiftieth press from the successful XFT 2500speed series to a customer. As an industry leader, Feintool works closely with the world's leading universities and colleges. In 2019, the company continued to work on various projects in cooperation with ETH Zurich, RWTH Aachen University's Laboratory for Machine Tools and Production Engineering (WZL), and the University of Shanghai.

Feintool sees great potential in bipolar plates for fuel cell production. The company made significant progress in this regard, has developed a complete manufacturing concept, and is now focusing on collaborating with potential development partners.

Internal changes

Only those who know their motivation and the role they play at Feintool can make an important contribution to the company's success. With this in mind, we refined and realigned our mission statement for all employees last year. In it, we now focus on our strengths, how we apply them, and the benefits they offer customers, stakeholders, and the environment. In order to underscore the latter aspect, Feintool will begin issuing a thorough and clearly organized sustainability report.

We began the concept phase at the end of 2019, and publication of the first Feintool Sustainability Report, which will be based on the internationally recognized GRI standard, is planned for the first half of 2020.

Systematically pursuing our strategy

We have been systematically pursuing the strategy defined for Feintool since 2010. The year 2019 was challenging, but it has shown that we are on the right track. We are preparing for a recovery in a global automotive market that will be attractive for Feintool in the coming decade. We will continue to consolidate our position in the European, North American, and Asian markets with respect to fineblanking, forming, and electrolamination stamping technologies. Thanks to past capital expenditures and significant research efforts in all of our regions, we are systematically improving our market position and the profitability of our individual plants as a highly competitive company.

Outlook and thanks

The economic and political uncertainties will continue during the 2020 financial year, yet will have a different impact in different regions, which is why we expect the global market situation to remain complex. We are currently unable to assess the effects of the coronavirus on China and global trade flows. We have seen an encouraging increase in the number of inquiries for future orders received in the high-volume parts business in recent months, however, whereas we expect the capital goods business to remain difficult due to the existing uncertainties and the associated reluctance to invest. Feintool expects sales in 2020 to match the previous year's level, but profitability is ex-pected to improve as a result of measures introduced during the reporting year.

We would like to thank our customers, suppliers, and shareholders. Your confidence in Feintool drives us to constantly perform at our best – an achievement that would not be possible without dedicated employees. We therefore also owe them our extraordinary thanks.

ALEXANDER VON WITZLEBEN
Chairman of the Board of Directors

KNUT ZIMMER
CEO

MARKET REPORT

According to a market and technology study on the global automotive industry conducted on behalf of Feintool, the automotive market will grow steadily worldwide over the medium and long term, even at different rates in the individual regions.

For example, well over 100 million vehicles are expected to be sold in 2030, and in all probability, more than 80% of them will still be equipped with an internal combustion engine and the associated drivetrain. With respect to the individual areas in the vehicle, however, trends will be very different. For example, technical solutions in conjunction with autonomous driving, safety, and therefore completely different requirements for the driver's seat will drive new growth.

Trends in the drivetrain segment are viewed very differently, however (see figures). Driven by regulatory requirements that are increasingly converging globally, we expect a strong increase in battery electric vehicles and hybrids (2020: 8%/2030: 48%), while the internal combustion engine will lose market share.

While hybrid vehicles will only achieve an estimated market share of 7% worldwide in 2020, this figure is expected to increase to almost 35% by 2030 – taking into account overall growth, which is increasing anyway. If we look at the market solely in terms of transmission technologies, the trends related to drivetrains outlined above have resulted in significant growth for automatic transmissions, dual-clutch transmissions, and these in combination with electric motors (i.e. hybrid drive) and CVT (continuously variable transmissions).

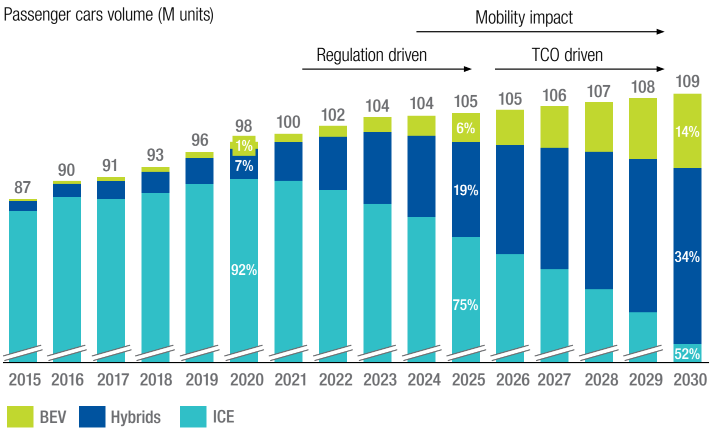
According to the study, the manual transmission, which is still widely used in the EU and China in 2020 (with a market share of approximately 64% and 50%, respectively), will become increasingly less relevant by 2030 – simply because of the growth in autonomous vehicles and the hybrid engine – and will be the real loser as a result of the trends in the coming decade.

Since Feintool's parts are widely used in the growing segment of automated transmissions, such as automatic transmissions, dual-clutch transmissions, and hybrid drives, the trend described above is expected to offer considerable growth potential for Feintool in the years leading up to 2030.

Viewed from a regional perspective, the mixture of drive systems in use will vary (as it already does today). Thanks to its strategic focus and presence in the respective regions, Feintool is perfectly positioned to take advantage of the market recovery and the market trends over the coming decade described in the study.

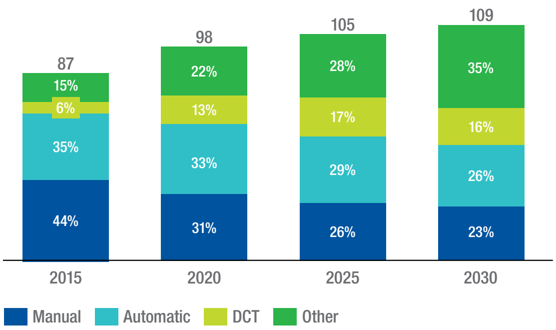
Powertrain shift

Passenger cars volume (M units)



Change in transmission market

Passenger car volume by transmission type (in %)

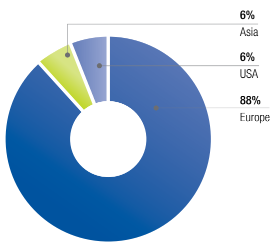


Source: Automotive components forecast & implications for Feintool (Boston Consulting Group, August 2019)

FINEBLANKING TECHNOLOGY SEGMENT

The economic environment particularly affected the Fineblanking Technology segment, which specializes in capital goods. The challenges facing the automotive industry are leading to significantly fewer orders in the engineering industry. Our basic strategy remains unchanged; the segment will continue to position itself as the industry's innovation leader.

Income by region
Fineblanking Technology



The trend that was already apparent at the beginning of the year was particularly noticeable in the Fineblanking Technology segment during the second half of 2019. The economic environment and the uncertain outlook caused our customers to be reluctant to make capital expenditures, and this translated into a decline in press and tool projects. This reluctance was particularly abrupt and pronounced in China and was ultimately reflected in the overall global market.

Difficult market environment

As a result, incoming orders in most business units failed to meet expectations compared to the previous year. Feintool saw a positive development in the Services business unit, with the share of net sales generated by machine overhauls increasing. In the toolmaking business, Feintool received a major order from an automobile manufacturer in 2019, but orders generally remained below expectations.

Systematically continuing our strategy

The Fineblanking Technology segment optimized its own cost structures and systematically continued making necessary capital expenditures. The globalization of purchasing activities plays a key role in this respect, as it allows Feintool to have components manufactured internationally that it then uses in its own presses. Feintool has also further expanded its Press Center of Excellence and successfully launched the new FB one fineblanking press generation. The company further enhanced its presence in China by professionalizing the local service organization. Our close partnership with an international logistics center in Germany allows us to supply spare parts to our international clientele more quickly and more comprehensively.

New FB one press generation undergoing field tests

During the first half of the year, Feintool made further advancements to the FB one hydraulic press generation and will add additional models to the series. In the future, we will be able to supply all sizes from 4 000 kN to 11 000 kN from our own Press Center of Excellence in Jona, Switzerland. The new press series contains a variety of highly complex innovations. For example, it cuts energy consumption by 30%. After an intensive testing phase, the first press ready for field operation was handed over at the Swiss plant in Lyss and a further press was delivered to a customer. Initial test results confirm the expected quality and performance of the new press. Further customer projects are currently scheduled for delivery.

Electric vehicles – development of metallic bipolar plates

With regard to research and development projects, Feintool was able to make considerable progress in the project to manufacture metallic bipolar plates for use in fuel cells. Since then, the company has succeeded in proving its feasibility and developing a production concept. Feintool attended an exhibition for electrolamination stamping and hydrogen fuel cells in China and was met with a great deal of interest there. Together with a development partner, Feintool is now focusing on making advancements to the entire production technology. Feintool believes that these applications hold significant future potential, as the components for a corresponding electric vehicle contain an additional 600 to 800 individual parts.

Research and development

Feintool was also able to initiate and successfully complete various projects in cooperation with universities that are now starting to be used in industrial applications and at Feintool's plants. For example, the company worked with ETH Zurich to test the use of new applications with new materials, among other projects. Feintool also worked on various projects with RWTH Aachen University's Laboratory for Machine Tools and Production Engineering (WZL) in Aachen, Germany, for example, enhancing wear protection, i.e. improving coatings for tools. Together with the University of Shanghai, Feintool researched a new forming process for manufacturing toothing. As a result, Feintool has proven that it can develop a functioning production concept from its own machine and tool concept. In doing so, Feintool has positioned itself as an innovative and reliable partner for the industry.

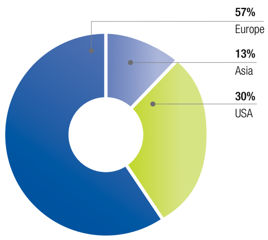
Breaking new ground

The combination of fineblanking and cold forming makes Feintool the only full-range supplier that can cost-effectively manufacture complex precision components in large quantities for demanding industries. Feintool also generated a great deal of interest outside of the automotive industry, for example in medical technology or the watch industry. Feintool developed a new product line for a watch manufacturer – a 200 ton orbital cold-forming press. In this context, orbital forming is a subform of forming.

SYSTEM PARTS SEGMENT

In 2019, business in the System Parts segment responded to the challenging market conditions, albeit with regional variations. Despite a temporary decline in orders and the absence of customer releases, significant progress was made in some areas. Advancements to our new electrolamination stamping technology are very encouraging.

Income by region
System Parts



Performance in the different regions varied due to a variety of factors. On a global scale, it is clear that consumers were particularly focused on the SUV segment, cars with automatic transmissions, and all-wheel drives, as well as hybrid and, last but not least, battery electric vehicles, but that new vehicle registrations generally declined or remained stable overall. In the System Parts segment, this led to a sales decline compared with the previous year. Furthermore, the decline in sales had a negative impact on the group's overall result.

Strong business activity despite difficult market situation

During the reporting year, Feintool received a preproduction order in Germany for in-tool lamination core stacks of rotor and stator components for a leading OEM in the automotive industry. These are core elements of every electric car motor. This preproduction order forms the basis for a later, possible series production. To ensure that we are capable of long-term series production, we modernized and expanded the infrastructure at the plant in the German city of Jessen. This included the installation of new high-performance presses, among other measures. Feintool has also received a series production order in Germany for parts for a new dual-clutch transmission. Starting in 2022, the transmission will be installed in various hybrid vehicles from several European automakers, among other applications.

In addition, the first FB one fineblanking press was handed over for field testing in the fall of 2019. At the plant in Lyss, Switzerland, the latest-generation press was successfully subjected to intensive high-volume parts production tests. The results of the field trials are extremely encouraging and demonstrate the potential of the press in ongoing operation. Among other benefits, the latest generation consumes as much as 30% less energy than other press series with the same capacity.

In the Fineblanking Technology segment, Feintool took advantage of the current market situation particularly to further optimize the quality of production processes and efficiency. For example, the plant in Tokoname, Japan, delivered over 50 million parts in one year without a single defect. This level of performance was achieved thanks to perfectly coordinated processes and comprehensive quality management. In this context, it is essential to actively get all employees involved and regularly train them.

The System Parts segment is doing exceptionally well in China and continues to expand. As a result, we were able to officially inaugurate the expansion of the forming plant in Tianjin in the fall of 2019. This expansion was necessary in order to ensure that the plant has the capacity for the nominations that have been received. In fact, we plan on doubling our production capacity here over the next two years. The plant, with around 100 employees and four press lines, specializes in cold forming. The expansion in China highlights the systematic continuation of our strategy of offering solutions in those markets where demand will increase in the future.

In the United States, we held our traditional customer symposium in Cincinnati in October. Experts from across the industry gathered at the event to discuss the latest trends and challenges facing automakers and Tier 1 suppliers. The event focused on topics such as the increasing demand for trucks (such as the Ford F-150) or the trend towards complex eight-gear and ten-gear transmissions, among others. The plants in the United States are designed to meet automotive companies' growing demand for ready-to-install components. Capital expenditures by the North American plants in additional processing methods, including the heat-treatment process, machining with CNC systems, double-disc grinding, and fully automatic assembly, are ensuring that this remains the case – and have been a very successful. As an example, Feintool has signed a ten-year contract under which we will be able to supply a customer with the latest generation of transmission components for use in American school buses.

Vertical integration and technology transfer

Through the integration of upstream or downstream production steps, Feintool not only improves its business processes, but also ensures its success over the long term. Known as vertical integration, this optimizes both our value creation and supply chains . One example is our forming plant in Ohrdruf, Germany, where we are establishing and expanding our tempering expertise. As such, the plant not only manufactures formed parts, but can also process them directly on site and deliver them to the customer ready to be installed. Feintool is also pursuing deeper vertical integration at other plants.

The company has also laid the foundation for the global rollout of the electrolamination stamping technology, as strategically planned. Feintool has made corresponding capital expenditures in China so that starting in 2020, we will be capable of manufacturing electrolamination components for the Chinese market locally at an existing plant. During the reporting year, we forged ahead with the transfer of knowledge and employee training necessary to achieve this goal.

Across-the-board efficiency gains

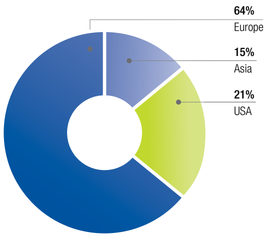
Feintool System Parts took advantage of the challenging market situation to increase efficiency and competitiveness at every plant. In this context, the company initiated measures adapted to the individual regions. As such, Feintool further optimized its manufacturing processes and once again improved its quality management systems. In doing so, Feintool is taking advantage of current market conditions and optimizing its plants to meet the respective challenges, while at the same time driving innovation forward.

HUMAN RESOURCES

The year 2019 was marked by the implementation of measures to deal with the weaker market situation, but also by promoting international cooperation. This is demonstrated by the company's annual Best Achievement Awards, the successful exchange of knowledge in the field of electrolamination stamping, and the introduction of digital workplaces.

Employees by region

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



The global market situation made the past financial year difficult. Feintool adapted to this situation and implemented appropriate HR measures at the respective plants. We were able to counteract short-term and medium-term economic fluctuations through traditional means such as reducing overtime and eliminating temporary positions or by introducing reduced working hours. We were able to hire employees with specific expertise at some plants, while elsewhere the number of employees stagnated or was prudently reduced.

Feintool had a total of 2 645 employees worldwide on December 31, 2019. At the same time, it was important for the company to continue to expand its expertise and make it available digitally, as well as pass this knowledge on to trainees as early as possible.

Focus on vocational and advanced training

Feintool invested in trainees in every region during the reporting year in order to secure a future supply of young talent. For example, the German fineblanking plant in Jena was awarded the title of "Top Training Company" by the Chamber of Commerce and Industry Eastern Thuringia. The many years of comprehensive assistance, the individual support provided to trainees, as well as the plant's exemplary commitment to promoting its own junior staff were the reasons behind receiving this award. Since 2006, Jena has trained 29 young people in six metal and electrical engineering professions as well as in business administration and impressed its employees with in-house advanced training programs.

In China, the company established a new partnership with the Yantai Vocational Technical College. As a result, seven trainees will, for the first time, be able to benefit from the cooperative education system and combine theoretical knowledge with hands-on training at Feintool during a shortened vocational training program. The trainees will begin working as press operators, tool maintainers, and coordinate measuring machine operators in 2020. In the United States, Feintool also intensified its partnership with Butler Tech. Butler Tech offers career training and brings students into contact with a technical education. The partnership allows Feintool to recruit highly talented young people with a technical background for its vocational training program.

All our employees had the opportunity to participate in advanced training programs during the previous financial year – an offer that many took advantage of. Training at Feintool also takes place on the job, such as through the transfer of knowledge between different locations. Employees from Japan and China acquired knowledge of electrolamination stamping technology in Jessen in order to progressively expand this expertise in China. The plants were also able to contribute their respective areas of expertise within the group to customer projects, thereby helping ensure that these projects were a success.

Impressive team performance

Such investments pay off, as demonstrated by the winners of the “Best Achievement Awards” that Feintool presents to its employees in recognition of their work on internal projects. In order to successfully design formed parts for a customer’s new eight-speed transmission, Feintool employees had to work together from plants located all over the globe. A total of four plants on different continents were involved in technical support and production.

In Obertshausen, Germany, a team developed a new optical inspection method for plate carriers. As a result, quality control procedures have become faster and easier and the quality of the parts has improved significantly, which is also reflected in higher customer satisfaction. Feintool Japan achieved the highest level of customer satisfaction thanks to optimized processes. The Japanese plant in Tokoname produced 50 million parts within one year without a single quality complaint.

Most recently, the FB one development team from the Swiss plants in Lyss and Jona also received an award. In this project, development engineers, software developers, and other experts worked hand in hand on a press that is one hundred percent “Swiss designed.”

Digital transformation at Feintool

The importance of international collaboration for Feintool is also demonstrated by the company’s introduction of digital workplaces. This project is designed to increase transparency and efficiency in digitally connected project work, resulting in the implementation of harmonized standards and working methods across the entire Feintool Group. During the reporting year, international teams worked on the individual features of the system, which is scheduled to be rolled out worldwide in 2020. In this context, providing careful support and training for all of the employees involved is one of our top priorities.

Updated mission statement for future success

A company’s mission statement is a central element of its corporate culture. A team from different plants studied the existing mission statement in detail and updated it to reflect a more modern perspective. The new version places the emphasis on our motivation, our approach, and our success. In 2020, we will take steps to bring the mission statement to life. For example, various employees from different business units will explain what the mission statement means to them personally and how they put it into practice on a daily basis together with their colleagues.

FEINTOOL GROUP

Significant decline in sales due to market uncertainties
Net income of CHF 11 million.

FINANCIAL REVIEW

as at December 31, 2019

BUSINESS PERFORMANCE

General

The consolidated financial statements for 2019 apply to Feintool International Holding AG and its subsidiaries. They cover the period from January 1 to December 31, 2019.

On July 31, 2018, Feintool Holding GmbH, Bayreuth, acquired 100 % of the German company Stanzwerk Jessen GmbH, located in Jessen, Saxony-Anhalt, Germany, with its subsidiaries JELA GmbH, SLTJ GmbH, and Stanz- und Lasertechnik Jessen GmbH. SLTJ GmbH was subsequently merged with Stanz- und Lasertechnik Jessen GmbH. Stanz- und Lasertechnik Jessen GmbH was then renamed Feintool System Parts Jessen GmbH.

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

Due to the global economic slowdown, orders received in the Fineblanking Technology segment, which operates in the capital goods business, fell by 40.6% year over year to CHF 60.7 million (previous year: CHF 102.3 million), with CHF 10.2 million of this total generated by the System Parts segment (previous year: CHF 14.6 million). As a result, third-party orders received fell by 42.4% to CHF 50.5 million (previous year: CHF 87.7 million). With a share of 16.9% (previous year: 14.3%), the importance of the System Parts segment once again increased and it remains the largest single customer.

The order backlog fell by a total of 38.4% to CHF 23.0 million (previous year: CHF 37.3 million). The order backlog for internal orders fell slightly to CHF 4.5 million. The third-party order backlog thus stood at CHF 18.5 million (previous year CHF 31.0 million). The current order backlog is insufficient and represents a workload of less than three months. At the beginning of 2020, reduced working hours were introduced at the assembly plant in Jona until further notice.

Expected releases in the high-volume parts segment over the next six months totaled CHF 265.2 million (previous year: 286.1 million). This figure thus fell by 7.2% year over year.

Net sales

The global economic slowdown and the various uncertainties within the automotive sector also had an effect on Feintool’s results. Consolidated sales in the reporting currency fell by 6.9% to CHF 632.7 million (previous year: CHF 679.6 million). During the reporting year, currency effects had a negative impact of CHF 7.1 million, equal to 1.1 percentage points. The acquisition of the electrolamination stamping business contributed CHF 22.9 million (in the first seven months). Accordingly, acquisitions contributed 3.4 percentage points to total sales growth. As a result, in local currency Feintool recorded an organic sales decline of 9.2%. Both segments suffered a significant decline in sales: the press and tool business shrank – adjusted for currency effects – by 30.2%, the parts business declined organically in local currency by 4.9%. The System Parts segment generated 90.1% of third-party sales (previous year: 86.0%), the highest figure since Feintool was founded.

The significantly weaker market environment caused the System Parts segment's sales to decline by 2.2 % to CHF 573.9 million (previous year: CHF 586.9 million). Negative currency effects totaled CHF 7.2 million, while the positive effect from acquisitions amounted to CHF 22.9 million. The segment's sales decline in local currency thus stood at 1.0 %, or excluding acquisitions, at 4.9 %. Thanks to the acquisition of the electrolamination stamping business, sales in Europe fell by only 2.7 % to CHF 332.7 million (previous year: CHF 342.1 million). Without the appreciation of the Swiss franc against the euro, the company would have even reached the previous year's level. The acquisition effect of CHF 22.9 million amounted to 6.7 percentage points. Excluding currency and acquisition effects, parts sales in Europe thus stood 6.6 % below the comparable prior-year figure. Rising quantities of new products only partially compensated for the market downturn and price reductions agreed to with customers. Business in North America declined in the reporting currency by 4.8 % to CHF 173.6 million. The currency effect of the US dollar in the amount of CHF 2.7 million had a positive impact on sales, resulting in a 6.3 % sales decline in local currency. Lower steel prices, which Feintool passes on to its customers, are reflected in this decrease in sales. Sales in Asia rose by 10.2 % to CHF 71.1 million. Currency effects had a small negative impact of CHF 0.4 million. Business in Asia, adjusted for currency effects, grew by 10.9 % overall. A displacement of CHF 2.5 million from Japan to China also took place during the reporting year. Due to many localization projects by Japanese automakers, vehicle production in Japan has been stagnating for several years. With net sales of CHF 38.5 million, China has, for the first time, also become the most important Asian market for Feintool in the parts business. In the parts business, net sales by region changed only marginally. Europe generated 57.6 % of sales (previous year: 58.1 %), and thus was once again responsible for more than half of all parts sales. The share posted by the U.S. plants fell slightly to 30.1 % (previous year: 30.9 %). Asia's share of sales rose to 12.3 % (previous year: 11.0 %) thanks to growth in China due to new products.

Net sales in the Fineblanking Technology segment fell sharply – by 30.1 % – to CHF 74.7 million (previous year: CHF 106.9 million). The translation effects of foreign currencies are negligible in the capital goods segment. Intragroup sales with the System Parts segment remained unchanged at CHF 12.0 million, but increased as a percentage of the total to 16.0 % (previous year: 11.4 %). Sales to third-party customers decreased by CHF 31.9 million, or 33.7 %, to CHF 62.8 million.

Overall, the Feintool Group sold products and services with a total value of CHF 356.7 million in Europe, increasing the region's share to 56.4 % (previous year: CHF 371.7 million or 54.7 %), largely thanks to the acquisition in the field of electrolamination stamping. With sales of CHF 181.3 million, or 28.6 % of total sales (previous year: CHF 184.8 million or 27.2 %), the percentage of sales generated in North America increased. Asian sales fell overall to CHF 94.7 million, equal to a 15 % share (previous year: CHF 123.0 million, equal to 18.1 %) – despite the significant increase in the parts business. Sales in Switzerland amounted to CHF 6.9 million or about one percent.

Gross margin

The gross margin fell by 1.8 percentage points compared with the prior year to 36.9 %, while gross profit decreased by 11.2 % and totaled CHF 233.3 million in the financial year. Without the acquisition in the field of electrolamination stamping, the decline would have been at 13.6 %.

Materials are by far the largest cost component for Feintool. In the reporting year, the material to sales ratio increased slightly from 46.3 % to 46.9 % – taking changes in inventories into account – and the cost of materials totaled CHF 296.8 million (previous year: CHF 314.3 million). Materials costs also include costs for external processing of parts, such as hardening or coating. The reporting year was marked by extremely volatile steel prices. Steel prices remained at record levels, especially in the first two quarters. Owing to price escalation clauses in many customer contracts and intensive negotiations, Feintool was able to pass on most of these fluctuations to its customers. Costs with a time lag and a change in the product mix ultimately caused the slight increase in the material to sales ratio. Despite the sales decline, direct labor costs were unchanged at CHF 102.6 million (previous year: CHF 102.5 million). As a result, the ratio of direct labor costs to sales rose from 15.1 % to 16.2 %. The increase in this ratio of 1.1 percentage points is a result of higher added value as well as the lead time for hiring personnel during production ramp-ups or at new locations (especially in Most).

The System Parts segment achieved a gross margin of 37.2 %, well below the previous year's figure (previous year: 38.9 %). Increases in efficiency at many plants and greater vertical integration in the case of some products had a positive effect. Nevertheless, these effects could not fully offset the impact of price discounts agreed upon with customers and additional costs due to some technical difficulties.

In the Fineblanking Technology segment, the gross margin fell to 32.0 % (previous year: 36.0 %). This was due to both changes in the product mix on the one hand and significantly lower throughput on the other hand.

Key cost items

All in all, labor costs totaled CHF 194.4 million (previous year: CHF 194.9 million). As a result, the labor costs to sales ratio rose significantly from 28.7 % to 30.7 %. Wage increases as well as additional employees at the locations in China and the Czech Republic and reduced staff numbers as a result of the market downturn largely balanced each other out.

In the System Parts segment, labor costs increased by CHF 3.9 million to CHF 166.1 million. Of this increase, CHF 5.5 million was attributable to the acquisition. In addition, starting June 1, 2018, tool making in Lyss was integrated into the parts business for organizational reasons. This resulted in labor costs in the amount of CHF 4.0 million. Accordingly, the ratio of labor costs to sales rose from 27.6 % to 28.9 %. Feintool's investments in the future, such as the construction of the two production plants in China, the plant in Oelsnitz and the establishment of the new plant in the Czech Republic, contributed to the rise labor costs as a percentage of sales. Moreover, the increase in vertical integration through additional work steps, such as tempering, is likewise associated with training expenses and a corresponding increase in the headcount.

In the Fineblanking Technology segment, labor costs fell by CHF 4.7 million to CHF 20.7 million, with CHF 4.0 million resulting from the reclassification of tool making. As a percentage of net sales, labor costs increased significantly from 23.8 % to 27.7 %. The massive sales decline is the main reason for this increase.

Thanks to extensive cost-cutting measures, other operating expenses fell by CHF 7.6 million to CHF 78.2 million. As a percentage of sales, these expenses fell slightly to 12.4 % (previous year: 12.6 %). Other operating income fell slightly to CHF 2.0 million. As a result of the ongoing focus on core activities, income from general services and income from real estate no longer in use were at a low level.

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

Earnings before interest, taxes, depreciation, and amortization (EBITDA) fell significantly by CHF 22.1 million, equal to 24.6 %, to CHF 67.7 million for the reporting year. The currency effect in the amount of CHF 0.8 million intensified the decline. The EBITDA margin stood at 10.7 % for the financial year, 2.5 percentage points lower than in the previous year. Feintool was only partially and insufficiently able to compensate on the cost side for the significant sales decline as a result of the economic downturn and the price concessions granted to customers.

Depreciation and impairment

Amortization/depreciation rose sharply in the reporting year, namely by 15.6 % to CHF 48.8 million. The acquisition effect on amortization/depreciation totaled CHF 1.6 million. Significant capital expenditures in recent years caused amortization/depreciation to increase by CHF 5.0 million, or 11.8 %. Relative to sales, amortization/depreciation rose from 6.2 % to 7.7 %. The company's capital expenditures of CHF 56.3 million only slightly exceeded amortization/depreciation for this financial year.

Operating profit (EBIT)

Feintool generated earnings before interest and taxes (EBIT) of CHF 18.9 million (previous year: CHF 47.5 million). The negative currency effect at the EBIT level amounted to an insignificant CHF 0.2 million. This unsatisfactory result was caused by the decline in gross profit due to the sharp drop in sales, high labor costs, and rising depreciation/amortization.

EBIT generated by the System Parts segment fell by CHF 20.3 million, or 46.6 %, to CHF 23.2 million (previous year: CHF 43.5 million). The sales decline and the significantly slower introduction (i.e. ramp-up) of new products led to the underutilization of production capacity at some plants. New products will also be launched at some plants in the early months of 2020. The associated preparations continued to cause high capital expenditure and considerable preparation costs. Overall, the EBIT margin in the parts business fell by 3.4 percentage points to 4.0 %.

The European plants suffered a marked decline in earnings, with the result that this region only contributed CHF 5.8 million to total EBIT. The American plants contributed an EBIT of CHF 14.1 million to total earnings, making it the Feintool Group's most successful region for the first time. In Asia, EBIT and the corresponding margin in the parts business increased; earnings for the reporting year stood at CHF 2.3 million. The two Chinese plants showed a significant improvement, with higher sales thanks to new products.

The Fineblanking Technology segment, on the other hand, suffered from the slump in sales and posted earnings of only CHF 0.7 million (previous year: CHF 9.8 million). The margin fell sharply year over year to a modest 0.9 % (previous year: 9.2 %). Research expenses were similar to the previous year, coming in at CHF 4.4 million. Activities in this area were continuously intensified as an investment in the future.

The nonoperating units incurred costs of CHF 6.5 million (previous year: CHF 7.5 million). Prior years' expenses were negatively impacted by special items (cost of acquisitions etc.). Such items were virtually nonexistent in the reporting year. Accordingly, the result of the nonoperating units improved significantly.

Financial result

The net financial result of CHF -3.7 million is comparable with the previous year (CHF -3.5 million). Despite the steady rise in the value of the Swiss franc, currency gains of CHF 0.6 million (previous year: CHF 1.2 million) were recorded in the reporting year, albeit slightly lower than in the previous period. As a result, adjusted for currency effects, the negative net financial result decreased by CHF 0.4 million to CHF -4.2 million. Despite higher average net debt, interest expenses fell slightly. At the end of the year, net debt stood at CHF 140.7 million, slightly lower than at the end of the previous year (CHF 147.9 million), also thanks to the introduction of an asset-backed securitization program (ABS program). This is despite the fact that the first-time adoption of the IFRS 16 standard applicable to leases impacted net debt by CHF 11.6 million. The ratio of net debt to EBITDA nevertheless rose to 2.1× at the end of the reporting period due to the significantly lower EBITDA at the end of the year.

Taxes

Tax expenses for the Feintool companies totaled CHF 4.5 million. The effective tax rate of 29.9 % fell slightly year over year (previous year: 30.7 %). This includes withholding taxes of CHF 0.5 million on intragroup dividend distributions. Without this effect, the tax rate would have been at around 27 %. Markets important to Feintool such as Germany and Japan have high tax rates. As in previous years, the effective tax expense is influenced by losses in countries (especially China and the Czech Republic) in which loss carryforwards lapse relatively quickly and are therefore not capitalized. In the reporting year, the tax effect from non-capitalized losses amounted to CHF 1.8 million. As such, this effect amounts to 1.1 percentage points.

Net income

The group result fell to CHF 10.7 million (previous year: CHF 30.5 million). As such, the net profit margin accounted to 1.7%.

CONSOLIDATED BALANCE SHEET

In contrast to previous years, there was hardly any change to total assets, which increased minimally from CHF 705.3 million to 706.3 million despite the first-time adoption of the new IFRS standard on leases.

Current assets decreased by a total of CHF 5.7 million, or 2.3 %, to CHF 233.1 million. In this regard, the individual items trended differently. Thanks to effective receivables management, the introduction of an ABS program, and in part influenced by the weaker business, receivables fell by CHF 16.1 million to CHF 85.0 million. As a percentage of sales, receivables once again fell from 14.9 % to about 13.4 %. The age structure of receivables hardly changed during the reporting year. On the other hand, inventories and credit balances from contractual assets fell disproportionately by CHF 5.7 million to CHF 94.2 million. As in the previous year, prepaid expenses and accrued income totaled CHF 6.1 million. On the other hand, cash and cash equivalents increased by CHF 12.6 million to CHF 43.5 million due to numerous received payments in the closing days of the reporting year.

Operative net working capital decreased significantly by CHF 24.1 million to CHF 71.0 million and thus amounted to 11.2 % of sales (previous year: 14.0 %). The main reasons for this decline were the reduction in receivables in part due to the introduction of an ABS program, the decrease in inventories, and the significant increase in trade payables. 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.

Total noncurrent assets rose slightly by 1.4 % from CHF 56.3 million to CHF 473.1 million as a result of further substantial capital expenditures. Property, plant, and equipment grew by CHF 10.9 million to CHF 357.9 million. This increase largely corresponds to the increase in fixed assets due to the first-time adoption of the new IFRS 16 standard for leases, which resulted in an increase in total noncurrent assets of CHF 11.6 million. Intangible assets decreased by CHF 5.4 million to CHF 95.8 million. This decline was primarily due to the decrease in goodwill (translation effect of the acquisitions made in Germany) and the scheduled depreciation of capitalized customer benefits (from acquisitions) and land use rights. Financial assets remained virtually unchanged at CHF 2.3 million. Deferred tax assets of CHF 17.0 million likewise changed little.

On the liabilities side, debt increased by CHF 11.9 million to CHF 396.4 million. Trade payables, tax liabilities, and other liabilities increased by CHF 5.1 million and totaled CHF 83.3 million. On the other hand, accrued expenses and deferred income, current and noncurrent provisions, and deferred tax liabilities fell by CHF 4.8 million to CHF 63.7 million. Liabilities for employee benefits (IAS 19) increased significantly by CHF 6.1 million to CHF 65.1 million.

Interest-bearing debt increased by CHF 5.5 million to CHF 184.2 million. CHF 11.6 million of this total were the result of the first-time adoption of the IFRS 16 standard. CHF 39.9 million of the interest-bearing liabilities were of a short-term nature, whereby the syndicated loan in the amount of CHF 44.5 million is presented as long-term in line with economic conditions. Noncurrent interest-bearing liabilities totaled CHF 144.3 million for the reporting year. Taking available cash and cash equivalents into account, net debt fell by CHF 7.2 million to CHF 140.7 million (previous year CHF 147.9 million). With CHF 89.0 million in cash and cash equivalents and available, confirmed lines of credit, Feintool has sufficient financial flexibility (previous year: CHF 86.8 million).

Shareholder's equity stood at CHF 309.9 million on December 31, 2019 (previous year: CHF 320.8 million). The equity ratio fell from 45.5 % to 43.9 %. The statement of changes in equity shows that net income from operating business increased equity by CHF 10.7 million. On the other hand, the distributed dividend reduced equity by CHF 9.8 million. Currency translation differences of CHF 8.3 million and the revaluation of employee benefit obligations of CHF 4.4 million had a significant negative impact on equity. The other items had a small positive effect (CHF 1.1 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

At CHF 82.0 million, cash flow from operating activities was 22.4 % higher than in the previous year, despite the significantly lower result. This welcome result is based on a CHF 13.9 million decrease in net working capital compared with an increase of CHF 25.0 million in the same period last year. Cash flow from investing activities also fell sharply to CHF 51.8 million (previous year CHF 121.0 million). This amount primarily flowed into property, plant, and equipment. Overall, this resulted in positive operating cash flow of CHF 30.2 million. Feintool was able to finance both its significant capital expenditures and the dividend from its operating business in the reporting period.

EMPLOYEES

The number of employees (excluding trainees) decreased by 56 to 2 641 in the financial year. In addition, 91 (previous year 82) young people are currently with our company as trainees. The System Parts segment employed 2 442 people, a decrease of 47 employees. While the plants in China and the Czech Republic hired 37 new employees due to new projects, the number of employees at the other locations fell by 84 due to the market downturn. The Fineblanking Technology segment had 170 employees at the end of the year (-4 compared to the previous year). A total of 30 employees (-4) work in units that are not directly involved in the operating business. Feintool had 1 688 employees in Europe at the end of 2019, equal to 64 % of the total workforce, and five fewer than in the previous year. Of these, 405 were employed in Switzerland (previous year: 422). In the United States, the number of employees fell by 62 to 546 (or 21 % of the total workforce), while in Asia the number increased by ten to 407 (15 %).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2019 financial year (January 1 to December 31, 2019)

	Note	2019 in CHF 1 000	in %	2018 in CHF 1 000	in %
Net sales	**3**	**632 684**	**100.0**	**679 551**	**100.0**
Change in finished and semi-finished goods and work in progress		-3 627		7 249	
Capitalized self-generated assets	4	2 358		2 427	
Material cost		-293 187		-321 557	
Personnel expenses	5	-194 404		-194 908	
Other operating expenses	6	-78 203		-85 785	
Other operating income	7	2 040		2 738	
Earnings before interest, taxes, depreciation and amortization (EBITDA) [1]		**67 661**	**10.7**	**89 715**	**13.2**
Depreciation and amortization	17, 18	-48 801		-42 199	
Operating profit (EBIT) [2]		**18 860**	**3.0**	**47 516**	**7.0**
Financial expenses	8	-24 804		-21 867	
Financial income	9	21 140		18 353	
Earnings before taxes		**15 196**	**2.4**	**44 002**	**6.5**
Income taxes	10	-4 545		-13 524	
Net income attributable to Feintool Holding shareholders		**10 651**	**1.7**	**30 478**	**4.5**

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

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

	Note	2019 in CHF 1 000	in %	2018 in CHF 1 000	in %
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences		-8 329		-5 200	
Income taxes on recycable items		583		339	
Items that may not be reclassified to profit or loss					
Reassessment of net defined benefit liability (asset)		-5 910		240	
Income taxes on non recycable items		1 478		-99	
Total other comprehensive income		**-12 178**		**-4 720**	
Total comprehensive income attributable to Feintool Holding shareholders		**-1 527**		**25 758**	
Net income attributable to Feintool Holding shareholders		10 651		30 478	
Total comprehensive income attributable to Feintool Holding shareholders		-1 527		25 758	
Basic earnings per share (in CHF)	12	2.17		6.63	
Diluted earnings per share (in CHF)	12	2.17		6.63	
Number of employees					
Number of employees excl. 91 (previous year 82) trainees	**5**	**2 641**		**2 697**	

CONSOLIDATED BALANCE SHEET

for the 2019 financial year (as at December 31, 2019)

	Note	12/31/2019 in CHF 1 000	in %	12/31/2018 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		43 476		30 872	
Trade and other receivables	13	84 980		101 029	
Tax receivables		4 422		288	
Inventories	14	85 239		93 421	
Net contract assets	15	8 918		6 424	
Prepaid expenses and accrued income	16	6 109		6 779	
Total current assets		**233 144**	**33.0**	**238 813**	**33.9**
Non-current assets					
Property, plant and equipment	17	357 892		347 016	
Intangible assets	18	95 843		101 249	
Financial assets	19	2 339		1 750	
Deferred tax assets	11	17 061		16 452	
Total non-current assets		**473 135**	**67.0**	**466 467**	**66.1**
TOTAL ASSETS		706 279	100.0	705 280	100.0
LIABILITIES					
Current liabilities					
Financial liabilities	20	39 919		73 790	
Trade and other payables	21	82 605		72 062	
Tax liabilities		714		6 165	
Accrued expenses and deferred income	22	33 603		37 079	
Current provisions	23	8 746		8 114	
Total current liabilities		**165 587**	**23.4**	**197 210**	**28.0**
Non-current liabilities					
Financial liabilities	20	144 322		104 950	
Non-current provisions	23	2 437		2 379	
Deferred tax liabilities	11	18 921		20 931	
Employee benefit liabilities	24	65 111		59 049	
Total non-current liabilities		**230 791**	**32.7**	**187 309**	**26.5**
Total liabilities		**396 378**	**56.1**	**384 519**	**54.5**
Equity					
Share capital	25	49 148		49 148	
Capital reserves		117 008		127 269	
Retained earnings		183 403		176 601	
Treasury shares		-852		-1 780	
Translation differences		-38 806		-30 477	
Total equity		**309 901**	**43.9**	**320 761**	**45.5**
TOTAL EQUITY AND LIABILITIES		706 279	100.0	705 280	100.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2019 financial year (January 1 to December 31, 2019)

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Retained earnings	Translation differences	Total equity
January 1, 2018	**44 630**	**-703**	**90 929**	**145 643**	**-25 277**	**255 222**
Translation differences	–	–	–	–	-5 200	-5 200
Reassessment of net defined benefit liability (asset), net of tax	–	–	–	141	–	141
Other line items	–	–	–	339		339
Total other comprehensive income	**–**	**–**	**–**	**480**	**-5 200**	**-4 720**
Net income attributable to Feintool Holding shareholders	–	–	–	30 478	–	30 478
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**30 958**	**-5 200**	**25 758**
Capital increase [1]	4 518		45 479			49 997
Dividend [2]	–	–	-8 924	–	–	-8 924
Purchase/(sale) of treasury shares	–	-2 062	–	–	–	-2 062
Share-based management remuneration [3]	–	985	-215		–	770
December 31, 2018	**49 148**	**-1 780**	**127 269**	**176 601**	**-30 477**	**320 761**
January 1, 2019	**49 148**	**-1 780**	**127 269**	**176 601**	**-30 477**	**320 761**
Translation differences	–	–	–	–	-8 329	-8 329
Reassessment of net defined benefit liability (asset), net of tax	–	–	–	-4 432	–	-4 432
Other line items	–	–	–	583	–	583
Total other comprehensive income	**–**	**–**	**–**	**-3 849**	**-8 329**	**-12 178**
Net income attributable to Feintool Holding shareholders	–	–	–	10 651	–	10 651
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**6 802**	**-8 329**	**-1 527**
Dividend [4]	–	–	-9 805	–	–	-9 805
Purchase/(sale) of treasury shares	–	-276	–	–	–	-276
Share-based management remuneration [2]	–	1 204	-456		–	748
December 31, 2019	**49 148**	**-852**	**117 008**	**183 403**	**-38 806**	**309 901**

[1] On September 20, 2018, 451 871 new shares, each with a nominal value of CHF 10, were issued as capital increase. The shares were issued entirely from the "authorized capital". Further information is provided in Note 25.

[2] 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.

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

[4] The General Meeting held on April 30, 2019 approved the Board of Directors' proposed dividend distribution of CHF 2.00 per registered share from earnings for the financial year ended December 31, 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 2019 financial year (January 1 to December 31, 2019)

	Note	**2019** in CHF 1 000	**2018** in CHF 1 000
Net income of the Feintool Group		10 651	30 478
Depreciation and amortization	17, 18	48 801	42 199
(Gain)/loss on disposal of property, plant and equipment	6, 7	159	-472
Increase/(decrease) in provisions and valuation allowances		615	4 469
Other non-cash changes [1]		3 363	1 797
Income taxes	10	4 545	13 524
Cash flows from operating activities before change in net working capital (NWC)		**68 134**	**91 995**
Increase/decrease in:			
Accounts receivables	13	14 781	10 164
Inventories and net contract assets	14, 15	2 494	-18 790
Prepaid and accrued expenses and income	16, 22	-5 190	-7 694
Accounts payables	21	12 319	-2 066
Other net working capital (NWC)		5 995	5 679
Income taxes paid		-16 532	-12 308
Cash flows from operating activities		**82 001**	**66 980**
Investments in property, plant and equipment	17	-50 438	-81 352
Disposals of property, plant and equipment	17	1 224	2 705
Investments in intangible assets	18	-2 851	-3 030
Disposals of intangible assets	18	4	86
Increase in financial assets		-563	–
Decrease in financial assets		872	139
Purchase of consolidated investments net of cash	2	–	-39 566
Cash flows from investing activities		**-51 752**	**-121 018**
Free cash flow [2]		**30 249**	**-54 038**

[1] Other non-cash changes during the reporting period primarily encompass expenses from the revaluation of the net liability from defined benefit pension plans.

[2] Includes the cash flows from operating activities and the cash flows from investing activities

	Note	2019 in CHF 1 000	2018 in CHF 1 000
Capital increase		–	50 835
Transaction costs for capital increase		–	-838
Dividends paid		-9 805	-8 924
Purchase of treasury shares		-276	-2 062
Borrowing of interest-bearing liabilities		13 644	74 800
Repayment of financial lease liabilities		-14 674	-23 627
Repayment of interest-bearing liabilities		-2 444	-53 941
Cash flows from financing activities		**-13 555**	**36 243**
Translation differences Cash and cash equivalents		-4 090	-3 718
Increase/(decrease) in cash and cash equivalents		**12 604**	**-21 513**
Cash and cash equivalents at the beginning of the period		30 872	52 384
Cash and cash equivalents at the end of the period		43 476	30 872
Interest paid		-2 906	-3 133
Interest received		139	52

Lease payments are classified as follows on the statement of cash flows:

- Cash payments for the amortization portion are recognized as financing activities.

- Cash payments for the interest portion are recognized in cash flow from operating activities.

- Cash payments for non-capitalized leases are recognized in cash flow from operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2019

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, 2019, include the Company and its subsidiaries ("Feintool"). Feintool is the world's leading technology group specializing in the development of fineblanking systems and a worldwide provider of high-quality and cost-effective fineblanked, formed steel components and punched electro sheet metal products. The Group maintains close partnerships with its customers across the entire fineblanking, forming and punching of electric engine components process – from component design, tool design and system construction through to large-scale series parts production. In addition to fineblanking, the Feintool Group also deploys other key processes such as precision forming and punching of electric engine components technology, and is the world's only supplier of all-round solutions for the cost-effective manufacture of complex precision components.

With locations in Europe, US, China and Japan, the Feintool Group is represented in the world's major automotive markets. Headquartered in Lyss, Switzerland, the Group has a headcount of 2 641. At its various locations, Feintool provides training for 91 young people mainly as polymechanics, constructing engineers and commercial employees.

GENERAL INFORMATION

The consolidated financial statements for the financial year are based on the financial statements of the Group companies as at December 31, 2019, 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

Further information on financial covenants is provided in Note 20.

KEY ESTIMATES

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

Property, plant and equipment

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

Leasing

In general, the right-of-use asset is initially recorded at the present value of the lease liability at the commencement of the lease term. This appraisal takes into account whether the ability to exercise renewal options is reasonably certain, or whether a termination option is not considered reasonably certain. In the case of indefinite leases, the value of the right-of-use asset and the amortization period are based on estimates of the economic life of such leases.
All assumptions are continuously reviewed.

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 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. In a referendum held on May 19, 2019, Swiss voters adopted the Federal Act on Tax Reform and Old Age and Survivors' Social Insurance Funding (STAF), thereby confirming the reform of corporate taxation in Switzerland. Feintool does not expect these changes to have a significant impact on its net assets, financial position, or results of operations. The effects of adoption in the Canton of Bern (which will not take place until 2022 at the earliest) cannot yet be estimated.
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 24.

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

Interest-bearing liabilities

Feintool holds confirmed credit lines with various banks. These are considered to be financially noncurrent in nature, even if the individual installments have maturities of less than 360 days. The classification of interest-bearing liabilities as current or noncurrent is based on assumptions and estimates. These estimates are reviewed periodically, at least once a year. Details regarding the change in estimates can be found in note 20.

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, 2019, Feintool adopted the following new Standards and Interpretations:

IFRS 16 – Leases

Within the scope of the transition to IFRS 16, on January 1, 2019, the rights to use leased assets and the lease liabilities were recognized with a value of CHF 11.6 million. The transition to IFRS 16 was carried out according to the modified retrospective approach, whereby the company refrained from reassessing whether a contract contains a lease component for practical reasons. The comparative figures for prior-year periods have not been restated. As part of the first-time adoption of IFRS 16, Feintool is making use of the exemption and restating the value of right-of-use assets to reflect possible provisions for onerous leases, which are recognized on the Balance Sheet immediately before the date of first-time adoption. In addition, Feintool has decided not to apply the new provisions to leases that expire within twelve months of the date of initial adoption.

Based on the operating lease obligations held on December 31, 2018, the value of lease liabilities was restated on the Statement of Financial Position as of January 1, 2019, as follows:

	01/01/2019 in CHF 1 000
Non-discounted operating lease liabilities at 12/31/2018	13 716
Discounted using the incremental interest rate at 01/01/2019	12 968
Carrying amount of the financial lease liabilities at 12/31/2018	36 685
Recognition exemption for leases with less than 12 months contract duration after transition date	-2 545
Recognition exemption for low-value assets	-656
Adjustment rental contract duration	1 034
Other	833
Additional lease liabilities at 01/01/2019	**48 319**

Lease liabilities were discounted using the incremental borrowing rate as of January 1, 2019. The weighted average borrowing rate stood at 2.4%.

Other new and revised standards

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

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

NEW ACCOUNTING REQUIREMENTS

Various new IFRS regulations were published on the balance sheet date, but have not yet entered into force. Feintool decided against early adoption of the following standards, revised standards and interpretations. Feintool plans to adopt the changes from the financial years beginning on or after the date indicated:

- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 3 – Amendments Definition of a Business (January 1, 2020)
- IAS 1 and 8 – Amendments Definition of material (January 1, 2020)
- IFRS 17 – Insurance Contracts (January 1, 2021)

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

BASIS OF CONSOLIDATION

The consolidated financial statements in principle encompass the annual financial statements of Feintool International Holding AG, Lyss (Switzerland), in addition to the financial statements of all Group companies in which Feintool International Holding AG directly or indirectly owns more than 50 % of the voting rights or that it controls in any other way. A list of all investments is provided on page 90.

The group of consolidated companies did not change in 2019.

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 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.

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.

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.

The Feintool Group used the following exchange rates in financial years:

		2019		2018	
		Closing rate	Average rate	Closing rate	Average rate
China	CNY 100	13.8432	14.2173	14.2848	14.6626
Eurozone	EUR 1	1.0854	1.1113	1.1269	1.1516
Japan	JPY 100	0.8901	0.9108	0.8954	0.8891
Czech Republic	CZK 100	4.2719	4.3312	4.3807	4.4836
USA	USD 1	0.9662	0.9930	0.9842	0.9774

FINANCIAL ASSETS AND LIABILITIES

Classification and Valuation of financial assets

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

A credit loss is expected in the following two cases:

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

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

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

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

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

Financial liabilities are de-recognized when repaid.

ABS-Program
In the 2019 financial year, the Feintool Group entered into a revolving receivables purchase agreement with Weinberg Capital DAC (the program's special purpose entity) governing the sale of trade receivables. The negotiated structure provides for the sale of the Feintool Group's trade receivables as part of an ABS transaction, which was successfully initiated in December 2019. The receivables are being sold by the Feintool Group to the program's special purpose entity.

Under this ABS program with a maximum value of up to kCHF 16 281, the Feintool Group's European subsidiaries sold receivables valued at kCHF 15 593 as of December 31, 2019, of which kCHF 1 700 was retained as purchase price retentions. These funds are held as hedging reserves but are not paid out and are recognized as other financial assets. The basis for the transaction is the assignment of trade receivables from individual Feintool companies to the program's special purpose entity as part of an undisclosed assignment. The program's special purpose entity does not have to be consolidated under IFRS 10, as Feintool has neither the decision-making power nor any significant vested interest and there is no link between decision-making power and the variability of returns from the program's special purpose entity.

The Feintool Group continues to perform receivables management (servicing) for the receivables sold.

Feintool is meeting the requirements regarding the derecognition of financial liabilities in accordance with IFRS 9.3.2.1, as the receivables are transferred in accordance with IFRS 9.3.2.4 b). An assessment pursuant to IFRS 9.3.2.6 has shown that Feintool has neither substantially transferred nor retained all of the risks and rewards. This means that in accordance with IFRS 9.3.2.16, Feintool must recognize its continuing involvement.

The maximum amount of the continuing involvement of kCHF 295, i.e. the amount for which Feintool is still liable for the default risk, will continue to be reported under trade receivables with a corresponding other financial liability. Any interest to be expected until receipt of payment is not recognized for reasons of materiality.

BALANCE SHEET

Cash and cash equivalents

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

Trade receivables/other receivables

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

Inventories

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

Contract assets

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

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

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

Property, plant and equipment

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

As a rule, the following depreciation periods are applied:

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

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

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

Leases

Upon entering into a contract, the Feintool Group will assess whether the contract should be classified as a lease or contains a lease component. In making this assessment, which requires a certain degree of discretion, the Group will assess whether a specific asset is affected, whether the Group obtains substantially all the economic benefits from the use of the asset, and whether the Group has the right to control the use of the leased asset.

The Feintool Group will recognize a right-of-use asset and a lease liability at the beginning of the lease term, except in the following two cases:

- Leases of low-value assets
- Short-term leases with a lease term of twelve months or less

In both cases, lease payments are recognized as an expense on the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. If this rate cannot be readily determined, the Feintool Group will use an incremental borrowing rate specific to the country, term, and currency of the contract. Lease payments include, for example, fixed and variable payments that depend on an index or rate known at the commencement of the lease. The lease liability is subsequently measured at cost less accumulated depreciation and accumulated impairment on the basis of the effective interest method and remeasured (with a corresponding adjustment to the right-of-use asset) if future lease payments change as a result of renegotiation, changes in an index or interest rate, or a revaluation of options.

The right-of-use asset is initially measured at the amount of the lease liability, any initial direct costs, as well as restoration obligations, less any lease incentives granted. The right-of-use asset is amortized on a straight-line basis from the date of commencement to the end of the lease term unless ownership of the underlying asset is transferred to the company at the end of the lease term or the cost of the lease reflects the fact that the company will exercise a purchase option. In this case, the right-of-use asset is amortized over its useful economic life, which is determined in accordance with the rules for property, plant, and equipment. Similar to assets held by the Group, the recoverability of the right-of-use asset is also reviewed if there are indications of impairment.

The right-of-use asset is recognized under property, plant, and equipment and the lease liability under current and noncurrent financial liabilities.

The following contract terms or depreciation periods generally apply:

Property:	3 to 10 years
Machines:	5 to 15 years
Other tangible assets:	3 to 5 years

Further information is given in Notes 6, 17 and 20.

Intangible assets

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

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

Patents, brands:	max. 10 years
Capitalized development costs:	3 to 5 years, max. 10 years
Software:	2 to 5 years
In acqu. purchased customer relations:	max. 15 years

Impairment

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

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 the remuneration at a contractually predefined amount. Individual members of the Board of Directors receive a contractually predefined number of shares.

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 – Revenue from contracts with customers

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.

Sale of presses and tools

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

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

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

The System Parts segment also sells tools in connection with parts production. Since these tools remain in the corresponding production facility for the parts production, invoicing takes place after the "Production Part Approval Process" (PPAP).

Service contracts (in the press business)

The service and inspection contract is similar to a framework agreement with a description of the service scope and the daily rates to be applied. Customers are charged once the service has been rendered. The recording of net sales takes place at the defined time.

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.

Cost of materials

The cost of materials includes the following costs associated with production:

- Raw materials, consumables, and supplies
- Trade parts
- Third-party work on materials and goods
- Direct procurement costs (freight, customs duties, etc.)
- Recognition of adjustments in the value of acquired inventories

Income from recycling scrap metal is deducted from the cost of materials.

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 2019 in CHF 1 000	Fineblanking Technology	System Parts	Total segments	Finance/ Other	Eliminations	Total Group
Net sales	74 725	573 914	**648 639**	–	-15 955	**632 684**
- Intersegment income	-11 968	-3 987	**-15 955**	–	15 955	**–**
Total net sales – Group [1)]	**62 757**	**569 927**	**632 684**	**–**	**–**	**632 684**
Gross margin [2)]	23 902	213 373	**237 275**	–	-3 981	**233 294**
EBITDA	**2 401**	**70 335**	**72 736**	**-4 030**	**-1 045**	**67 661**
Depreciation and amortization	-1 742	-47 111	**-48 853**	-2 470	2 522	**-48 801**
Operating profit (EBIT)	**659**	**23 224**	**23 883**	**-6 500**	**1 477**	**18 860**
Financial expenses						**-24 804**
Financial income						**21 140**
Income taxes						**-4 545**
Net income attributable to Feintool Holding shareholders						**10 651**
Assets	**67 683**	**619 177**	**686 860**	**251 968**	**-232 549**	**706 279**
Net working capital [3)]	**8 488**	**62 286**	**70 774**	**21 554**	**-21 258**	**71 070**
Investments in property, plant and equipment/intangible assets (incl. leases)	**993**	**54 055**	**55 048**	**2 152**	**-871**	**56 329**
Number of employees	**170**	**2 442**	**2 612**	**30**	**–**	**2 641**

1.2 Geographical areas 2019	Switzerland	Europe excl. Switzerland	America	Asia	Total
Total net sales – Group [4)]	**6 929**	**349 793**	**181 259**	**94 703**	**632 684**
thereof Germany		243 043			
thereof USA			128 881		
thereof Japan				35 795	
thereof China				49 997	
Fixed and intangible assets	**59 904**	**225 453**	**77 137**	**91 241**	**453 735**

The following footnotes are applicable to the 2019 and 2018 financial years.

1) Total Net Sales include "Sales from products transferred over time" about CHF 33.7 million (prior year CHF 56.7 million). The net sales have been recognized in the Fineblanking Technology Segment. The remaining net sales in this segment mainly consist of tool sales and services.

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

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

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

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

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

The following explanations on the segment information apply to the financial years 2019 and 2018.

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

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

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

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

The operating profit/loss comprises all operating income and expenses directly attributable to the individual segments. This includes all cross-segment expenses, which are charged directly. 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 18.4 % (previous year 17.2 %) of consolidated sales with one customer. Income is generated in all segments. With the other customers, the share is less than 12.3 % (previous year 12.8 %) in each case.

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

2 ACQUISITION OF INVESTMENTS

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

2.1 Unconsolidated net operating income of the interests acquired	01/01 - 12/31/2019 in CHF 1 000	08/01 - 12/31/2018 in CHF 1 000
Net Sales	37 181	18 123
EBIT	2 185	1 547

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

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

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

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

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

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

3 NET SALES

	2019 in CHF 1 000	2018 in CHF 1 000
Gross sales [1]	639 143	687 828
Sales deductions	-6 459	-8 277
Total net sales	**632 684**	**679 551**

[1] Total gross sales include "sales generated over a period" of CHF 33.7 million (previous year CHF 56.7 million). These sales were generated in the Fineblanking Technology segment. For a further breakdown of sales, see Section 1.1 Segment information.

4 CAPITALIZED SELF-GENERATED ASSETS

	2019 in CHF 1 000	2018 in CHF 1 000
Self-generated presses	181	420
Self-generated tools	829	483
Capitalized development costs	1 302	1 467
Other capitalized self-generated assets	46	57
Capitalized self-generated assets	**2 358**	**2 427**

5 PERSONNEL EXPENSES

	2019 in CHF 1 000	2018 in CHF 1 000
Salaries and wages	158 835	164 115
Employee welfare expenses	29 022	24 712
Other personnel expenses	6 547	6 081
Total personnel expenses	**194 404**	**194 908**
of which direct personnel expenses [1]	102 576	102 474
of which indirect personnel expenses	91 828	92 434

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

The Group employed 2 641 staff at the end of the year under review (previous year 2 697) and 91 trainees (previous year 82).

6 OTHER OPERATING EXPENSES

	2019 in CHF 1 000	2018 in CHF 1 000
Repair and maintenance	56 886	60 066
EDV costs [1]	3 325	n/a
Rental and leasing expenses [2]	1 676	5 173
thereof expenses for short-term leases	827	n/a
thereof expenses for low-value assets	512	n/a
thereof miscellaneous	337	n/a
Sales and marketing expenses	2 395	4 138
Administration and distribution expenses	10 979	11 647
Loss on the disposal of property, plant and equipment	362	541
Taxes and duties (not including taxes on income)	639	1 614
Other expenses	1 941	2 606
Total other operating expenses	**78 203**	**85 785**

[1] This item will be presented separately from 2019 onwards. It is not possible to determine the corresponding figures for the previous year because the figures for the previous year are cumulative. The corresponding item was recognized under maintenance and repairs in the previous year.

[2] Rental and lease expenses were not recognized in more detail until the 2018 financial year. Due to the introduction of IFRS 16, this classification will be applied from the current financial year onwards.

7 OTHER OPERATING INCOME

	2019 in CHF 1 000	2018 in CHF 1 000
Gain on the disposal of property, plant and equipment	203	1 013
Other income [1]	1 837	1 725
Total other operating income	**2 040**	**2 738**

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

8 FINANCIAL EXPENSES

	2019 in CHF 1 000	2018 in CHF 1 000
Interest expense	3 674	3 859
Other finance costs [1]	771	904
Foreign exchange losses	20 359	17 104
Total financial expenses	**24 804**	**21 867**

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

9 FINANCIAL INCOME

	2019 in CHF 1 000	2018 in CHF 1 000
Interest income	139	68
Other financial income [1]	64	8
Foreign exchange gains	20 937	18 277
Total financial income	**21 140**	**18 353**

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

10 INCOME TAXES

10.1 Analysis of income taxes	2019 in CHF 1 000	2018 in CHF 1 000
Tax credits/charges for the reporting period	5 217	11 752
Tax credits/charges from previous years	-393	-447
Deferred income taxes	-279	2 219
Total income taxes	**4 545**	**13 524**

10.2 Analysis of tax charge	2019 in CHF 1 000	2018 in CHF 1 000
Earnings before taxes	**15 196**	**44 002**
Weighted tax rate as % [1]	26.5 %	24.1 %
Expected overall tax expense	**4 027**	**10 612**
Non tax-deductible expense	357	348
Non-taxable income	-603	-454
Unrecognized tax loss carryforwards from the current year [2]	1 774	3 376
Use of unrecognized loss carryforwards from previous years	6	–
Recognition of previously unrecognized loss carryforwards	-428	-111
Use of unrecognized deductible temporary differences	–	-124
Tax credits/charges from previous years	-393	-447
Effect of changes in tax rates	-143	-57
Reassessment of prior year	-329	52
Other effects	277	329
Effective income tax expense	**4 545**	**13 524**
Effective income tax expense as %	**29.9 %**	**30.7 %**

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

[2] Unrecognized tax loss carryforwards from the current year refer to companies in Czeck Republic and China.

11 DEFERRED TAXES

11.1 Carrying amounts in CHF 1 000	12/31/2019 Deferred tax assets	12/31/2019 Deferred tax liabilities	12/31/2018 Deferred tax assets	12/31/2018 Deferred tax liabilities
Deferred taxes for temporary differences				
Current assets	3 618	1 470	2 756	1 442
Non-current assets	3 401	31 623	4 515	30 893
Provisions and other liabilities	2 359	1 157	1 527	2 605
Employee benefit plans	13 514	792	12 805	527
Loss carryforwards	9 322	–	9 046	–
Other temporary differences	969	–	339	–
Total gross values	**33 182**	**35 042**	**30 988**	**35 467**
Netting	-16 121	-16 121	-14 536	-14 536
Total carrying amounts	**17 061**	**18 921**	**16 452**	**20 931**
of which recognized in the balance sheet as deferred tax assets	17 061		16 452	
of which recognized in the balance sheet as deferred tax liabilities		18 921		20 931
Net deferred tax assets/liabilities		**1 860**		**4 479**

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

11.2 Statement of net deferred taxes assets/liabilities	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Start of period	**-4 479**	**3 879**
Recognition and reversal of temporary differences	136	-2 276
Temporary differences arising on tax rate changes	143	57
Temporary differences arising on acquisition/sale of entities	–	-6 464
Temporary differences recognized directly in equity	2 061	240
Translation differences	279	85
End of period	**-1 860**	**-4 479**

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

11.3 Unrecognized tax assets

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

11.4 Tax loss carryforwards	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Total tax loss carryforwards	69 476	69 781
of which recognized loss carryforwards	39 661	38 978
Total unrecognized tax loss carryforwards	**29 815**	**30 803**
of which expiring within 1 year	1 218	2 050
of which expiring in one to five years	8 969	9 460
of which expiring in more than five years	19 628	19 293
Tax effects of unrecognized tax loss carryforwards	**7 778**	**8 174**

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	2019 Number	2018 Number
Average number of shares outstanding	4 914 842	4 602 008
Less number of treasury shares (weighted)	-13 313	-5 366
Average number of shares outstanding – basic	4 901 529	4 596 642
Average number of shares outstanding – diluted	4 901 529	4 596 642

12.2 Net income Feintool Group	2019 in CHF 1 000	2018 in CHF 1 000
Net income of the Feintool Group – basic	10 651	30 478
Net income of the Feintool Group – diluted	10 651	30 478

No dilution effects were recognized in the financial year.

12.3 Earnings per share	2019 in CHF	2018 in CHF
Basic earnings per share	2.17	6.63
Diluted earnings per share	2.17	6.63

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

13 RECEIVABLES

13.1 Trade and other receivables	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Trade receivables	66 769	85 757
Valuation allowances	-976	-1 661
Total trade receivables (net)	**65 793**	**84 096**
Bills receivable	5 798	6 533
Outstanding VAT credits	9 183	8 221
Receivables from ABS program [1)]	1 667	–
Other receivables	2 539	2 179
Total trade and other receivables	**84 980**	**101 029**

[1)] As of December 31, 2019, trade receivables with a value of kCHF 24 854 were sold under factoring and ABS programs (previous year factoring: kCHF 11 389).

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
12/31/2019							
Trade receivables		66 769	50 597	9 356	3 300	1 104	2 412
Valuation allowances		-976	-17	–	-134	-32	-793
Total receivables (net)		**65 793**					
12/31/2018							
Trade receivables		85 757	64 796	14 159	4 006	1 658	1 138
Valuation allowances		-1 661	-2	-130	-232	-267	-1 030
Total receivables (net)		**84 096**					

13.3 Valuation allowance on receivables	2019 in CHF 1 000	2018 in CHF 1 000
Start of period	**-1 661**	**-2 708**
Recognized	-512	-1 130
Reversed	1 034	2 013
Used	163	164
End of period	**-976**	**-1 661**

14 INVENTORIES

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Raw material	37 834	41 738
Finished and semi-finished goods	51 416	53 243
Work in progress	18 040	20 457
Valuation allowances on inventories	-22 051	-22 017
Total inventories	**85 239**	**93 421**

15 CONTRACT ASSETS

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Contract assets	16 283	14 079
Prepayments received	-7 218	-7 236
Valuation allowances on construction contracts	-147	-419
Total net contract assets	**8 918**	**6 424**

The gross margin recorded under contract assets as at the closing date amounted to 35.0 % (previous year 38.0 %).

16 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Prepaid expenses for customer orders [1)]	1 676	807
Issue costs of promissory note and syndicated loan	565	782
Rental agreement [2)]	–	575
Tax accruals	2 295	2 770
Scrap and material income	793	1 203
Other prepaid expenses and accrued income	780	642
Total prepaid expenses and accrued income	**6 109**	**6 779**

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) In 2019 Oberthausen purchased the rented property therefore rental agreement has been terminated.

17 PROPERTY, PLANT AND EQUIPMENT

17.1 Overview assets	2019 in CHF	2018 in CHF
Own property, plant and equipment	306 669	297 874
Right-of-use from leased assets	51 223	49 142
Total carrying amounts	**357 892**	**347 016**

17.2 Summary of own property, plant and equipment in CHF 1 000	Real estate	Machinery	Other property, plant and equipment	Total
Cost of acquisition as at 01/01/2018	**106 838**	**291 150**	**45 734**	**443 722**
Additions	3 331	15 170	62 850	**81 351**
Disposals	-785	-4 985	-534	**-6 304**
Reclassifications [1]	8 866	24 774	-34 888	**-1 248**
Change in scope of consolidation [2]	9 053	3 176	220	**12 449**
Translation differences	-1 492	-3 159	-1 716	**-6 367**
As at 12/31/2018	**125 811**	**326 126**	**71 666**	**523 603**
Additions	2 779	11 539	36 117	**50 435**
Disposals	-41	-6 265	-1 304	**-7 610**
Reclassifications [1]	16 458	24 304	-40 672	**90**
Translation differences	-3 186	-8 033	-1 834	**-13 053**
As at 12/31/2019	**141 821**	**347 671**	**63 973**	**553 465**
Accumulated depreciation as at 01/01/2018	**-36 860**	**-155 486**	**-10 436**	**-202 782**
Additions	-3 992	-23 424	-1 781	**-29 197**
Disposals	740	3 154	477	**4 371**
Translation differences	254	1 389	236	**1 879**
As at 12/31/2018	**-39 858**	**-174 367**	**-11 504**	**-225 729**
Additions	-4 257	-26 468	-2 230	**-32 955**
Disposals	36	6 122	782	**6 940**
Reclassifications	–	-772	–	**-772**
Translation differences	821	4 572	327	**5 720**
As at 12/31/2019	**-43 258**	**-190 913**	**-12 625**	**-246 796**
Net carrying amounts				
As at 12/31/2018	**85 953**	**151 759**	**60 162**	**297 874**
As at 12/31/2019	**98 563**	**156 758**	**51 348**	**306 669**

[1] Reclassifications include positions of immaterial assets amounting to kCHF -323 (previous year kCHF -157). There was no reclassification from immaterial assets to fixed assets (previous year kCHF 2 319).

[2] The change in the scope of consolidation in previous year applies to Stanzwerk Jessen GmbH with its subsidiaries.

As part of the transition to IFRS 16, the values of finance leases (as of January 1, 2018, acquisition cost of kCHF 67 010 and accumulated amortization of kCHF 27 971) were also transferred from the previous year to the separate statement of changes in noncurrent assets (section 17.3).

Other property, plant and equipment includes installations, vehicles and assets under construction. Assets under construction amounted to kCHF 39 300 in the year under review (previous year kCHF 48 874). Gains on asset disposals are recognized as other operating income (Note 7). A gain of kCHF 203 (previous year kCHF 1 013) 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 362 (previous year kCHF 541). As at December 31, 2019, the Feintool Group had entered into purchase commitments for the purchase of property, plant and equipment totaling approx. CHF 42.4 million (previous year CHF 13.6 million).

17.3 Summary of leased property, plant and equipment in CHF 1 000	Real estate	Machinery	Other property, plant and equipment	Total
Cost of acquisition as at 01/01/2018	**–**	**67 010**	**–**	**67 010**
Additions	–	16 802	–	**16 802**
Disposals	–	-4 708	–	**-4 708**
Reclassifications	–	3 412	–	**3 412**
Translation differences	–	-2 296	–	**-2 296**
As at 12/31/2018	**–**	**80 220**	**–**	**80 220**
As at 01/01/2019 [1]	–	80 220	–	**80 220**
Recognition of right-of-use asset on initial applicaton of IFRS 16	9 235	431	1 968	**11 634**
Adjusted balance at 01/01/2019 [1]	9 235	80 651	1 968	**91 854**
Additions	-30	2 354	719	**3 043**
Disposals	-23	-3 961	-242	**-4 226**
Reclassifications	–	-510	81	**-429**
Translation differences	-48	-2 625	-37	**-2 710**
As at 12/31/2019	**9 134**	**75 909**	**2 489**	**87 532**
Accumulated depreciation as at 01/01/2018	**–**	**-27 971**	**–**	**-27 971**
Additions	–	-8 255	–	**-8 255**
Disposals	–	4 408	–	**4 408**
Reclassifications	–	–	–	**–**
Translation differences	–	740	–	**740**
As at 12/31/2018	**–**	**-31 078**	**–**	**-31 078**
Additions	-1 766	-7 820	-1 015	**-10 601**
Disposals	4	3 432	77	**3 513**
Reclassifications	–	772	–	**772**
Translation differences	20	1 056	9	**1 085**
As at 12/31/2019	**-1 742**	**-33 638**	**-929**	**-36 309**
Net carrying amounts				
As at 12/31/2018	**–**	**49 142**	**–**	**49 142**
As at 01/01/19	9 235	49 573	1 968	**60 776**
As at 12/31/2019	**7 392**	**42 271**	**1 560**	**51 223**

[1] As part of the transition to IFRS 16, on January 1, 2019, leases were recognized as right-of-use assets with a value of CHF 11.6 million. Detailed information can be found on page 34.

In the 2019 financial year, interest expenses from lease liabilities were incurred in the amount of CHF 652 000 (previous year: CHF 650 000).

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 01/01/2018	**23 177**	**7 360**	**6 808**	**19 267**	**56 612**
Additions	–	1 934	352	731	**3 017**
Disposals	–	–	-19	-70	**-89**
Reclassifications	–	–	157	-2 319	**-2 162**
Change in scope of consolidation [3]	44 433	–	–	19 261	**63 694**
Translation differences	-1 471	–	-94	-888	**-2 453**
As at 12/31/2018	**66 139**	**9 294**	**7 204**	**35 982**	**118 619**
Additions	–	1 516	1 331	4	**2 851**
Disposals	–	–	–	-170	**-170**
Reclassifications	–	–	321	–	**321**
Translation differences	-2 367	–	-155	-1 177	**-3 699**
As at 12/31/2019	**63 772**	**10 810**	**8 701**	**34 639**	**117 922**
Accumulated depreciation as at 01/01/2018	**–**	**-2 540**	**-4 802**	**-5 538**	**-12 880**
Additions	–	-1 482	-981	-2 284	**-4 747**
Disposals	–	–	3	–	**3**
Reclassifications	–	–	7	–	**7**
Translation differences	–	–	68	179	**247**
As at 12/31/2018	**–**	**-4 022**	**-5 705**	**-7 643**	**-17 370**
Additions	–	-1 684	-972	-2 597	**-5 253**
Disposals	–	–	2	164	**166**
Reclassifications	–	–	-1	–	**-1**
Translation differences	–	–	125	254	**379**
As at 12/31/2019	**–**	**-5 706**	**-6 551**	**-9 822**	**-22 079**
Net carrying amounts					
As at 12/31/2018	**66 139**	**5 272**	**1 499**	**28 339**	**101 249**
As at 12/31/2019	**63 772**	**5 104**	**2 150**	**24 817**	**95 843**

[1] Research and development expenses amounting to kCHF 4 469 (previous year kCHF 4 381) 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 previous year change in the scope of consolidation applies to Stanzwerk Jessen GmbH with its subsidiaries.

18.2 Other information – Goodwill	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Cash-generating unit System Parts China	11 234	11 593
Cash-generating unit System Parts Fineblanking Europe	3 291	3 417
Cash-generating unit System Parts Forming Europe	6 941	7 207
Cash-generating unit System Parts Stamping Europe	42 306	43 923
Total carrying amounts	**63 772**	**66 139**

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

The goodwill of the cash-generating unit System Parts Stamping Europe is allocated to Feintool System Parts Jessen GmbH and its subsidiaries acquired in the financial year 2018. The acquisition of this company is related to the expected increase in e-mobility. This development is expected to continue for at least the next ten years. For this reason, the period of future cash flows has been set at a total of eight years.

18.3 Parameter for Discount rate		2019		2018
	System Parts China	System Parts Europe	System Parts China	System Parts Europe
Discount rate after taxes	9.0	7.9	9.5	8.3
Market returns	6.0	6.0	6.0	6.0
Growth rate in residual value	2.5	1.6	2.5	1.6

The cash-generating units System Parts Fineblanking Europe, Forming Europe and Stamping Europe are included in the System Parts Europe group.

As of the date of the impairment test, the recoverable amount of the cash-generating unit System Parts China exceeded the net carrying amount by kCHF 12 936 (previous year kCHF 10 273). An increase in the weighted average cost of capital to 9.75 % (previous year 10.1 %) leads to a situation where the value in use equates the net carrying amount. If the discount rate were to increase by 1 % (after taxes), the value in use for all other cash-generating units would still be above the value of the net assets plus goodwill.

19 FINANCIAL ASSETS

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Loans to third parties	112	88
Receivables from the financing of customer tools	1 940	1 349
Rental deposit accounts	287	313
Financial assets	**2 339**	**1 750**

The weighted average interest rate in the reporting period was 0.4 % (previous year 0.9 %).

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	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Current liabilities to banks	27 583	62 316
Current portion of non-current liabilities to banks	518	530
Current portion of lease liabilities	11 818	10 944
Total current financial liabilities	**39 919**	**73 790**

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

20.2 Non-current financial liabilities	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Non-current promissory note	70 551	73 249
Non-current liabilities to banks	48 744	5 960
Non-current lease liabilities	25 027	25 741
Total non-current financial liabilities	**144 322**	**104 950**

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

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

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

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

- Equity ratio > 25 %

As of December 31, 2019, all the covenants had been met.

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

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

As of December, 31st 2019, CHF 44.5 million of the syndicated loan had been used (previous period CHF 34.1 million) and all the covenants had been met. In accordance with the principle of substance over form, beginning in 2019, the syndicated loan will be recognized as a noncurrent financial liability, although the individual installments each have a term of less than 360 days. As a result of the difficult market environment at present, hardly any repayments are planned for the next year. The extension of the individual installments has been confirmed until the end of the contract, provided that the covenants are met.

Credit agreements concluded on a bilateral basis with various banks also contain standard covenants. As of December 31, 2019, 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, 2019, Feintool has CHF 45.5 million (previous year CHF 55.9 million) in unused, confirmed creditlines at the bank.

20.3 Reconciliation of financial liabilities	2019 in CHF 1 000	2018 in CHF 1 000
Start of period	**178 740**	**134 247**
Cash flows net [1]	-3 474	-2 768
Non-cash changes	14 724	42 765
thereof acquisition	–	34 321
thereof new leases [2]	14 724	8 444
Translation differences	-5 749	4 496
End of period	**184 241**	**178 740**

1) This item includes the borrowing of interest-bearing debt of kCHF 13 644 (previous year kCHF 74 800), the repayment of interest-bearing lease liabilities of kCHF 14 674 (previous year kCHF 23 627) and the repayment of interest-bearing debt of kCHF 2 444 (previous year kCHF 53 941).

2) As part of the first-time adoption of IFRS 16, new leases were recognized with a value of kCHF 11 634.

21 TRADE AND OTHER PAYABLES

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Trade payables	58 748	50 052
Prepayments from third parties	5 177	7 220
Notes payable	4 667	4 992
Liabilities from factoring and ABS [1]	6 678	2 088
Social security liabilities	4 339	4 512
Outstanding VAT liabilities	1 138	1 132
Other liabilities	1 858	2 066
Total trade and other payables	**82 605**	**72 062**

1) Liabilities from factoring and ABS include all customer payments not yet forwarded and the corresponding liability in respect to the continuig involvement from ABS. Further information on the ABS program can be found on page 38.

22 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Accruals for salary, bonus, overtime, additional hours	9 564	11 552
Outstanding accounts payable	8 461	11 193
Outstanding installations and other work to be fulfilled in relation to customer orders	11 700	12 821
Tax accruals	2 273	–
Accruals for environmental risks	157	855
Other accrued expenses and deferred income	1 448	658
Total accrued expenses and deferred income	**33 603**	**37 079**

23 PROVISIONS

in CHF 1 000	Warranties	Other provisions	Total
Total provisions as at 01/01/2018	**2 380**	**5 991**	**8 371**
Recognized	1 821	5 072	6 893
Used	-108	-2 113	-2 221
Reversed	-424	-1 868	-2 292
Translation differences	-17	-241	-258
Total provisions as at 12/31/2018	**3 652**	**6 841**	**10 493**
of which current provisions	1 868	6 246	8 114
of which non-current provisions	1 787	592	2 379
Recognized	377	7 214	7 591
Used	-188	-3 284	-3 472
Reversed	-130	-3 024	-3 154
Translation differences	-14	-261	-275
Total provisions as at 12/31/2019	**3 697**	**7 486**	**11 183**
of which current provisions	1 818	6 928	8 746
of which non-current provisions	1 882	555	2 437

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.

24 EMPLOYEE BENEFIT PLANS

24.1 Overview of net employee benefit liabilities (assets)	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Net defined benefit liability (asset)	62 514	56 924
Anniversary benefits	2 143	2 020
Other benefit obligations	454	105
Total net employee benefit liabilities (assets)	**65 111**	**59 049**

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 6 579 (previous year kCHF 6 619).

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 51 367 (previous year kCHF 47 329), the German plan to kCHF 10 281 (previous year kCHF 8 739) and the Japanese plan to kCHF 866 (previous year kCHF 856). On account of the materiality of the figures, only the Swiss and German plans are shown in Note 24.3 onwards.

Swiss plan

The majority of Feintool employees in Switzerland are insured against the risks of death, old age and disability through the semi-autonomous Feintool Group pension fund. The benefits provided by the Feintool Group's pension fund exceed the minimum level prescribed by the Federal Occupational Old Age, Survivors' and Disability Pension Act (BVG). The ordinary employer contributions comprise risk contributions of 2.2 % and age-related contributions of 5.5 %-14.0 % of the insured salary for credits to individual retirement assets. The typical retirement age is 65 for men and 64 for women. Employees have a right to early retirement from age 58, in which case the conversion rate is reduced in accordance with the longer expected pension payment period and the absence of contribution payments prior to retirement. Furthermore, employees can withdraw their retirement pension in full or in part as a lump sum. The amount of pension paid out is arrived at from the conversion rate, which is applied to the insured individual's accumulated retirement savings at the time of retirement. In the case of retirement at age 65/64, the conversion rate is 5.6 % (previous year 5.8 %). 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 93.6 % as at December 31, 2019 (previous year 90.6 %). The Board of Trustees is the central coordination and monitoring body for the management of the assets. The pension assets are administered by a mandated, independent financial services provider. The Board of Trustees determines the investment strategy and tactical bandwidths in accordance with the statutory provisions. 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.

24.2 Change in defined benefit liability (asset)	Defined benefit obligation 2019 in CHF 1 000	Defined benefit obligation 2018 in CHF 1 000	Plan assets 2019 in CHF 1 000	Plan assets 2018 in CHF 1 000	Net defined benefit liability (asset) 2019 in CHF 1 000	Net defined benefit liability (asset) 2018 in CHF 1 000
As at January 1	**180 758**	**184 358**	**-123 834**	**-127 004**	**56 924**	**57 354**
Recognized in income statement						
Current service cost	4 838	4 894	–	–	4 838	4 894
Interest cost (income)	1 494	1 180	-993	-752	501	428
General and administrative expenses	–	–	217	186	217	186
Total	**6 332**	**6 074**	**-776**	**-566**	**5 556**	**5 508**
Recognized in other comprehensive income						
Expense/(income) from remeasurement of						
Actuarial loss/(gain) due to:						
Change in demographic assumptions	–	34	–	–	–	34
Change in financial assumptions	15 519	-5 085	–	–	15 519	-5 085
Experience adjustment	-2 512	-172	–	–	-2 512	-172
Expense/(income) on plan assets (excluding interest income)	–	–	-7 097	4 983	-7 097	4 983
Translation differences	-438	-294	66	-26	-372	-320
Total	**12 569**	**-5 517**	**-7 031**	**4 957**	**5 538**	**-560**
Other						
Contributions from employer	-396	-468	-5 108	-4 910	-5 504	-5 378
Contributions from employees	3 076	3 228	-3 076	-3 228	–	–
Benefits paid out	-7 875	-6 917	7 875	6 917	–	–
Total	**-5 195**	**-4 157**	**-309**	**-1 221**	**-5 504**	**-5 378**
As at December 31	**194 464**	**180 758**	**-131 950**	**-123 834**	**62 514**	**56 924**
of which Swiss plans	179 702	167 839	-128 335	-120 510	51 367	47 329
of which German plans	11 645	9 913	-1 364	-1 174	10 281	8 739
of which Japanese plans	3 117	3 002	-2 251	-2 146	866	856

The expected contributions made to the employee benefit plans for the following financial year amount to CHF 5.5 million in the case of employer contributions and CHF 3.1 million in the case of employee contributions.

24.3 Plan assets of defined benefit plans	2019 in %	2018 in %
Equities	8.9	7.2
Bonds	65.9	65.8
Real estate (including real estate funds)	15.1	14.9
Other	1.3	1.2
Cash	8.9	10.9
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.

24.4 Defined benefit plan obligations – actuarial assumptions	2019 in %	2018 in %
Swiss plan		
Discount rate	0.3	0.8
Future increase in wages and salaries	1.3	1.3
German plans		
Discount rate	0.8	1.8
Future increase in wages and salaries	0.0	0.0 - 2.0
Future increase in pensions	1.8 - 2.0	1.8 - 2.0

24.5 Defined benefit plan obligations – actuarial assumptions	2019 in years	2018 in years
Swiss plan		
Life expectancy at age 65 for newly retired persons		
Men	22.6	22.5
Women	24.7	24.5
Life expectancy at age 65 for employees currently aged 45		
Men	24.4	24.3
Women	26.4	26.4
German plans		
Life expectancy at age 65 for newly retired persons		
Men	20.4	20.2
Women	23.9	23.8
Life expectancy at age 65 for employees currently aged 45		
Men	23.2	23.0
Women	26.1	26.0

As at December 31, 2019, the weighted-average duration of pension benefit obligations was 15.3 years for the Swiss plan (previous year 14.4 years) and 19.2 - 19.8 years for the German plans (previous year 18.3 - 19.4 years). Feintool uses the BVG 2015 G mortality table in Switzerland and Heubeck in Germany for the hypothetical life expectancy.

24.6 Defined benefit plan obligations – sensitivity analysis	2019 in CHF 1 000	2018 in CHF 1 000
Swiss plan		
Change in discount rate -0.25 %	6 784	5 919
Change in discount rate +0.25 %	-6 330	-5 538
Change in wages and salaries -0.25 %	-381	-315
Change in wages and salaries +0.25 %	379	310
German plans		
Change in discount rate -0.25 %	585	481
Change in discount rate +0.25 %	-552	-450
Change in wages and salaries -0.25 %	n/a	n/a
Change in wages and salaries +0.25 %	n/a	n/a

25 EQUITY

25.1 Share capital	12/31/2019 Number/CHF	12/31/2018 Number/CHF
Number of shares	4 914 842	4 914 842
Nominal value	10	10
Share capital	49 148 420	49 148 420

25.2 Changes of Share capital	12/31/2019 in CHF	12/31/2018 in CHF
Start of period	**49 148 420**	**44 629 710**
Increase	–	4 518 710
End of period	**49 148 420**	**49 148 420**

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

25.3 Conditional capital – employee stock option plan	12/31/2019 in CHF 1 000	12/31/2018 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.

25.4 Authorized capital	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Start of period	**1 482**	**6 000**
Expired	–	-6 000
Created	–	6 000
Used	–	-4 518
End of period	**1 482**	**1 482**

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

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

25.5 Treasury shares – changes	12/31/2019		12/31/2018	
	Number	in CHF 1 000	Number	in CHF 1 000
Start of period	**17 141**	**1 780**	**6 406**	**703**
Bought	5 000		19 909	
Sale/transfer	-12 447		-9 174	
End of period	**9 694**	**852**	**17 141**	**1 780**
of which trading portfolio	9 694		17 141	

In the 2019 financial year, 5 000 shares were purchased at an average price of CHF 55.17 (previous year 19 909 shares at an average price of CHF 103.55) and 12 447 shares sold at an average price of CHF 66.09 (previous year 9 174 shares at an average price of CHF 108.05) for the share-based management remuneration. Treasury shares are reserved primarily for management remuneration.

26 CAPITAL PARTICIPATION PLANS

As a component of the bonus, 12 447 shares (previous year 8 763) were allocated to the Board of Directors, the Group Management and other managers in the financial year at a transaction value of kCHF 748 (previous year kCHF 723). Of this amount, 5 000 shares have been distributed in January 2020, 5 619 shares in December 2019 and 1 828 shares in August 2019. All shares were transferred from treasury shares and were transferred directly to the ownership of the recipient.

27 OFF-BALANCE SHEET TRANSACTIONS, CONTINGENT LIABILITIES

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Contingent obligations	3 122	3 585
Contingent liabilities	**3 122**	**3 585**

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.

Feintool owns properties at some locations that are either contaminated or suspected of being contaminated. Under the supervision of the local authorities, Feintool is remediating these plots of land to remove the corresponding pollution and contaminants. Based on our current assessment, these activities are not expected to have a significant impact on the Feintool Group’s net assets, financial position, or results of operations.

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

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.

28 ASSETS PLEDGED AS SECURITY FOR OWN LIABILITIES

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Real estate	6 139	6 162
Machinery and equipment	42 271	49 142
Assets pledged as security for own liabilities	**48 410**	**55 304**

29 ECONOMIC RISKS

Continuously growing protectionism with rising tariffs, the change in raw material and energy prices as well as the persistently high external trade imbalances entail risks for the future development of the global economy. These factors could lead to a decline in global economic growth. The inherent uncertainties cause stronger exchange rate fluctuations, and a continuation of the weakness of the euro in particular. The scenarios described could give rise to severe adverse effects for Feintool.

Management of financial risks

Financial risk management is based on the directives approved by the Board of Directors and Group Management. The principles of risk management and the processes applied are reviewed on a regular basis in order to address changes in the market environment and in Feintool's activities.

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

Liquidity risk

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

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

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, 2019, all covenants had been met. As at December 31, 2019, Feintool had CHF 45.5 million (previous year CHF 55.9 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**
12/31/2019						
Liabilities [1]	**71 951**	71 951	–	–	–	**71 951**
Accrued expenses and deferred income [2]	**10 066**	10 066	–	–	–	**10 066**
Current liabilities to banks	**27 583**	27 583	–	–	–	**27 583**
Lease liabilities	**36 845**	11 973	18 790	4 384	2 267	**37 414**
Other liabilities to banks	**119 813**	1 331	75 672	29 364	16 686	**123 053**
Total	**266 258**	**122 904**	**94 462**	**33 748**	**18 953**	**270 067**
Foreign exchange futures [3]						
Cash inflows	**159**	159	–	–	–	**159**
Cash outflows	**–**	–	–	–	–	**–**
12/31/2018						
Liabilities	**59 198**	59 198	–	–	–	**59 198**
Accrued expenses and deferred income	**12 706**	12 706	–	–	–	**12 706**
Current liabilities to banks	**62 316**	62 316	–	–	–	**62 316**
Lease liabilities	**36 685**	10 946	18 866	7 146	227	**37 185**
Other liabilities to banks/bonds	**79 739**	530	32 989	32 003	17 606	**83 128**
Total	**250 644**	**145 696**	**51 855**	**39 149**	**17 833**	**254 533**
Foreign exchange futures [3]						
Cash inflows	**87**	87	–	–	–	**87**
Cash outflows	**31**	31	–	–	–	**31**

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

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

[3] As at December 31, 2019, the contractual values of the forward exchange deals amounted to kCHF 12 344 (previous year kCHF 14 062).

Interest rate risk

Interest rate risk can have a negative impact on the Group's earnings as a result of higher interest rates on borrowings or lower interest rates on assets. Furthermore, changes in interest rates can affect the fair value of underlying financial instruments. Depending on the expected trend in interest rates, Feintool obtains financing at either fixed or variable rates. There are currently financial liabilities from the promissory note loan due to fixed interest payments, from bank loans where half have fixed rates and half adjustable rates, and from lease liabilities with fixed rates, fixed terms and running amortization. Interest rate management is mostly undertaken on a centralized basis so as to limit the impact of interest rate changes on net financial income/finance costs.

A 0.5 % increase in the adjustable interest rate would adversely affect pretax profits by kCHF 384.

Exchange rate risk

Owing to its geographical diversification, Feintool is exposed to exchange rate risk particularly in relation to the euro (EUR), US dollar (USD), the Chinese currency yuan (CNY), the Japanese yen (JPY) and the Czech (CZK). Changes in exchange rates can affect the fair value of existing financial instruments and in particular the expected future cash flows. As far as possible, the Group uses natural hedges in order to offset the impact of exchange rate fluctuations. It seeks to ensure that costs are incurred in the same currency as the resulting income. The resulting surpluses (euro in particular) and requirements (Swiss franc in particular) at Group level are coordinated centrally in the various currencies. The net position of the most important foreign currencies is hedged over a period of usually six to twelve months, as required.

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

Sensitivity analysis exchange rate risk	2019 Base amounts in EUR 1 000 / USD 1 000	2019 Effect in CHF 1 000	2018 Base amounts in EUR 1 000 / USD 1 000	2018 Effect in CHF 1 000
EUR – Comprehensive Incom	-40 415	2 248	-13 929	813
USD – Comprehensive Income	3 994	-87	3 450	-78

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 derivati-ves.

Capital structure

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

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

The Group's aims for an equity ratio of at least 40 % and for a net-debt/EBITDA ratio of less than 1. Comments on the aforementioned ratios are provided in the Financial Review (on page 24). In terms of dividends policy, Feintool aims to pay shareholders approximately 30 % of consolidated annual profit in the form of a dividend.

Credit risk

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

Default risk

Default risk is the risk that a counterparty will be unable to meet its liabilities to the Group companies. By avoiding cluster risk and concentrating financial investments among first-class counterparties, it should be possible to avoid extensive credit default risk. The automobile sector is the focal point of Feintool's operations. By definition, this market segment involves a certain risk for Feintool's operations. As far as normal customer credit balances are concerned, outstanding receivables are constantly monitored as part of the process of regular reporting by the Group companies to Head Office. As at December 31, 2019, the overall default risk amounts to kCHF 125 202 (previous year kCHF 129 882). Feintool generates more than 18.4 % (previous year 17.2 %) of consolidated sales for one customer. Income is generated in all segments. With the other customers, the share is less than 12.3 % (previous year 12.8 %) 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.

30 FINANCIAL INSTRUMENTS

30.1 Financial assets in CHF 1 000	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Total
Cash and cash equivalents	43 476	–	**43 476**
Prepaid expenses and accrued income [1]	1 353	159	**1 512**
Receivables	75 797	–	**75 797**
Financial assets	2 339	–	**2 339**
Total carrying amounts as at 12/31/2019	**122 965**	**159**	**123 124**
Cash and cash equivalents	30 872	–	**30 872**
Prepaid expenses and accrued income [1]	1 625	87	**1 712**
Receivables	92 778	–	**92 778**
Financial assets	1 750	–	**1 750**
Total carrying amounts as at 12/31/2018	**127 025**	**87**	**127 112**

30.2 Financial liabilities in CHF 1 000	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
Accrued expenses and deferred income [2]	10 066	–	**10 066**
Trade payables	71 951	–	**71 951**
Non-current financial liabilities	39 919	–	**39 919**
Non-current financial liabilities	144 322	–	**144 322**
Total carrying amounts as at 12/31/2019	**266 258**	**–**	**266 258**
Accrued expenses and deferred income [2]	12 706	–	**12 706**
Trade payables	59 198	–	**59 198**
Non-current financial liabilities	73 790	–	**73 790**
Non-current financial liabilities	104 950	–	**104 950**
Total carrying amounts as at 12/31/2018	**250 644**	**–**	**250 644**

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

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

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

30.3 Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Feintool holds only financial instruments in Level 2 amounting to kCHF 159 net (previous year kCHF 56).

30.4 Classification of financial income/financial expenses in CHF 1 000	Cash and cash equivalents	Measured at fair value	Loans and receivables	Other financial liabilities	Total
Carrying amounts as at 12/31/2019	**43 476**	**159**	**78 136**	**266 258**	
Interest income/expenses	–	–	139	-3 674	**-3 535**
Other financial income/finance expenses	–	-479	-226	-2	**-707**
Change in valuation allowances on customer receivables and bad debt losses	–	–	472	–	**472**
Total net gain/loss 2019	**–**	**-479**	**385**	**-3 676**	**-3 770**
Carrying amounts as at 12/31/2018	**30 872**	**56**	**94 528**	**250 644**	
Interest income/expenses	–	–	68	-3 859	**-3 791**
Other financial income/finance expenses	–	-608	-285	-3	**-896**
Change in valuation allowances on customer receivables and bad debt losses	–	–	1 047	–	**1 047**
Total net gain/loss 2018	**–**	**-608**	**830**	**-3 862**	**-3 640**

30.5 Derivative financial instruments outstanding in CHF 1 000	Fair values positive	Fair values negative	Contract volumes
Futures contracts	159	–	12 344
Currency instruments	**159**	**–**	**12 344**
Total derivative financial instruments as at 12/31/2019	**159**	**–**	**12 344**
Futures contracts	87	31	14 062
Currency instruments	**87**	**31**	**14 062**
Total derivative financial instruments as at 12/31/2018	**87**	**31**	**14 062**

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

31 RELATED PARTIES

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

Levels of compensation paid to the Board of Directors and Group Management are defined by the Nomination and Compensation Committee and approved by the full Board of Directors. Total compensation (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 2 672 (previous year kCHF 2 605).

	2019	2018
	in CHF 1 000	in CHF 1 000
Pay (including cash bonuses), fees [1]	1 579	1 663
Contributions to pension plans	520	414
Share-based payment [2]	573	528
Total	**2 672**	**2 605**

[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 2019 financial year, the shares were transferred on January 3, 2020. 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.

	2019	2018
31.2 Other related parties	in CHF 1 000	in CHF 1 000
Balance Sheet		
Other payables	153	145
Income Statement		
Net sales	–	24

32 MAJOR SHAREHOLDERS

		12/31/2019		12/31/2018	
	Date of notification	Number	Share of capital	Number	Share of capital
Artemis Beteiligungen I AG and Michael Pieper	09/20/2018	2 473 349	50.32 %	2 473 349	50.32 %
Geocent AG [1]	07/15/2013	400 285	8.14 %	400 285	8.14 %

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

33 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

34 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2020 and will be submitted to the Annual General Meeting for approval on April 30, 2020.

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, 2019 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 26 to 76) give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, 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 2019 amounted to CHF 632,684 thousand. The segment System Parts contributed 90.1% to these revenues while the remaining 9.9% were realised in the segment Fineblanking Technology.

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

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

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

Our Response

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

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

- On a sample basis we reconciled revenues with the corresponding supporting documents to confirm the correct transfer of control related to the goods sold to the client and corroborated that revenues were recognised accurately.
- Based on a sample of delivery notes and corresponding receipts of payment we tested if the revenues existed and were recognised in the correct period.
- In addition, we obtained third party confirmations on a sample basis in order to reconcile the accounts receivable as of balance sheet date to the corresponding revenues.
- As it relates to the multiple-component contracts, we selected a sample to test if the individual components were correctly recorded in the system also taking into account the contractually agreed terms.
- We furthermore performed analytical procedures including margin analysis, development of prices and volumes of the largest clients and the distribution of sales throughout the year. Concerning the cut-off, we tested deliveries before and after the balance sheet date.

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

- Based on enquiries with employees and the testing of selected control activities we validated that an adequate sales order organisation exists, which allows the application of the revenue recognition over time. We also tested the reliability of the system and the effectiveness of the key controls.
- In addition, we randomly selected individual projects and compared them to the underlying contracts. We assessed whether for longer-term projects revenue recognition was in line with the

stage of completion of the project. We analysed how the calculation and project risk provisions for major projects developed in comparison with prior periods and if past assumptions retrospectively proved to be reasonable.

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

For further information on revenue refer to the following:

— Note Accounting Principles on pages 32-43
— Note 1 Segment Information on pages 44-46
— Note 3 Net Sales on page 48

KPMG

Valuation and existence of inventories

Key Audit Matter

Inventory (excluding work in progress and valuation allowances on work in progress) as of December 31, 2019 amounted to CHF 67,429 thousand and represented a material position in the balance sheet.

Raw material: CHF 37,834 thousand
Finished and semi-finished goods: CHF 51,416 thousand
Valuation allowance on inventories: CHF -21,821 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 32-43

— Note 14 Inventories on page 54

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

Joel Meer-Rau
Licensed Audit Expert

Zurich, March 2, 2020

FEINTOOL INTERNATIONAL HOLDING AG

Financial Review of the 2019 Financial Year

(from January 1 to December 31, 2019)

FEINTOOL INTERNATIONAL HOLDING AG BALANCE SHEET

for the 2019 financial year (as at December 31, 2019)

	Note	12/31/2019 in CHF 1 000	in %	12/31/2018 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		8 060		4 755	
Trade and other receivables	1	7 463		11 578	
Prepaid expenses and accrued income	2	1 475		1 197	
Total current assets		**16 998**	**4.4**	**17 530**	**4.7**
Non-current assets					
Property, plant and equipment	3	674		129	
Intangible assets	4	2 054		2 599	
Financial assets	5	154 174		147 851	
Investments	6	215 444		204 080	
Total non-current assets		**372 346**	**95.6**	**354 659**	**95.3**
TOTAL ASSETS		389 344	100.0	372 189	100.0
LIABILITIES					
Current liabilities					
Current interest bearing liabilities	7	59 193		97 823	
Trade and other payables	8	1 266		3 562	
Accrued expenses and deferred income	9	3 109		5 950	
Total current liabilities		**63 568**	**16.3**	**107 336**	**28.8**
Non-current liabilities					
Non-current financial liabilities	10	44 795		–	
Non-current provisions	11	597		509	
Total non-current liabilities		**45 392**	**11.7**	**509**	**0.1**
Total liabilities		**108 960**	**28.0**	**107 845**	**29.0**
Shareholder's equity					
Share capital	12	49 148		49 148	
General legal reserves from capital contributions	12	129 396		139 201	
Free retained earnings					
(Loss)/Gain carryforward		77 395		66 891	
Result for the year		25 297		10 885	
Treasury shares	15	-852		-1 780	
Total shareholder's equity		**280 384**	**72.0**	**264 345**	**71.0**
TOTAL EQUITY AND LIABILITIES		389 344	100.0	372 189	100.0

FEINTOOL INTERNATIONAL HOLDING AG STATEMENT OF INCOME

for the 2019 financial year (January 1 to December 31, 2019)

		2019		2018	
	Note	in CHF 1 000	in %	in CHF 1 000	in %
INCOME					
Operating income	16	31 291	40.2	33 857	65.4
Income from investments		23 047	29.6	–	0.0
Financial income	17	23 530	30.2	17 932	34.6
Total income		**77 867**	**100.0**	**51 789**	**100.0**
EXPENSES					
Personnel expenses	18	7 730	9.9	7 421	14.3
Other operating expenses	19	9 193	11.8	10 326	19.9
Depreciation		3 081	3.9	3 020	5.7
Depreciation on investments		5 000	6.4	–	0.0
Financial expenses	20	24 382	31.3	17 354	33.5
Prior-period expenses	21	2 395	3.1	–	0.0
Income Taxes		789	1.0	2 783	5.4
Total expenses		**52 570**	**67.5**	**40 904**	**79.0**
RESULT FOR THE YEAR		**25 297**	**32.5**	**10 885**	**21.0**

NOTES TO THE FINANCIAL STATEMENTS OF FEINTOOL INTERNATIONAL HOLDING AG

as at December 31, 2019

PRINCIPLE

General

Feintool International Holding AG has its headquarters in Lyss, Switzerland. The 2019 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.

Leases

In accordance with the principle of substance over form, all of the company's leases and rental agreements with third parties will be recognized on the balance sheet from the 2019 financial year onwards, with the exception of short-term contracts (12 months or less) and low-value assets. Up to and including the 2018 financial year, such leases were recognized in the income statement in each accounting period in which the resulting expense was incurred.
Beginning in the 2019 financial year, the right-of-use asset will be capitalized on the balance sheet. Afterwards, the right-of-use asset will be amortized on a straight-line basis from the date of commencement to the end of the lease term unless ownership of the underlying asset is transferred to the company at the end of the lease term or the cost of the lease reflects the fact that the company will exercise a purchase option. In this case, the right-of-use asset is amortized over its useful economic life, which is determined in accordance with the rules for property, plant, and equipment. Upon initial recognition, the right-of-use asset is measured at the present value of the lease liability upon commencement of the lease term. The lease liability corresponds to the present value of future lease payments discounted at an average interest rate of 1.3% and reduced by the amortization payments. Short-term leases (<1 year) and low-value leases continue to be recognized under other operating expenses in each accounting period in which resulting expenses are incurred.
Intercompany rental and lease agreements continue to be recognized as rental and lease expenses in each accounting period in which resulting expenses are incurred. This means that the right-of-use asset leased under such contracts is not capitalized, nor is a lease liability recognized. A total of CHF 192 000 is recognized as an expense from such contracts in the income statement for 2019.

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

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Accounts receivable – third parties	383	281
Accounts receivable – intercompany	5 948	8 648
Interest bearing receivable – intercompany [1]	1 132	2 649
Total trade and other receivables	**7 463**	**11 578**

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

2 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Prepaid expenses – third parties	1 424	1 144
Prepaid expenses – intercompany	51	53
Total prepaid expenses and accrued income	**1 475**	**1 197**

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Own property, plant and equipment

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Furniture and fixtures	25	28
Automotive	2	3
Other fixed assets	46	98
Total property, plant and equipment	**72**	**129**

3.2 Property, plant and equipment in lease

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Right of use on buildings	515	–
Other Right of use assets	87	–
Total right of use assets	**602**	**–**

In accordance with the principle of substance over form, leases will be recognized on the balance sheet beginning in the 2019 financial year, which includes all rental and lease contracts with third parties with the exception of short-term contracts (12 months or less) and low-value assets.

4 INTANGIBLE ASSETS

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Cost for research and development	2 045	2 581
Other intangible assets	9	18
Total intangible assets	**2 054**	**2 599**

5 FINANCIAL ASSETS

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Financial assets – intercompany	154 174	147 851
Total financial assets	**154 174**	**147 851**

6 INVESTMENTS

Company	Locations, country		Capital	Proportion of capital and voting rights as of December 31, 2019	Proportion of capital and voting rights as of December 31, 2018	Consoli dation method
Feintool International Holding AG	**Lyss, CH**	**CHF**	**49 148 420**	**100 %**	**100 %**	**Full**
Feintool Automotive System Parts (Tianjin) Co. Ltd. [1]	Tianjin, CN	EUR	22 500 000	100 %	100 %	Full
Feintool Engineering Co. Ltd.	Atsugi, J	JPY	400 000 000	100 %	100 %	Full
Feintool Fineblanking Technology (Shanghai) Co., Ltd.	Shanghai, CN	USD	2 500 000	100 %	100 %	Full
Feintool Holding GmbH	**Bayreuth, GER**	**EUR**	**818 000**	**100 %**	**100 %**	**Full**
Feintool System Parts Ettlingen GmbH	Ettlingen, GER	EUR	766 937	100 %	100 %	Full
Feintool System Parts Jena GmbH	Jena, GER	EUR	3 068 000	100 %	100 %	Full
Feintool System Parts Obertshausen GmbH	Obertshausen, GER	EUR	1 000 000	100 %	100 %	Full
Feintool System Parts Oelsnitz GmbH	Oelsnitz, GER	EUR	550 000	100 %	100 %	Full
Feintool System Parts Ohrdruf GmbH [2]	Ohrdruf, GER	EUR	2 556 000	100 %	100 %	Full
Stanzwerk Jessen GmbH [3]	Frankfurt, GER	EUR	3 000 000	100 %	100 %	Full
Feintool System Parts Jessen GmbH [3]	Jessen, GER	EUR	1 000 000	100 %	100 %	Full
Jela Immobilien GmbH [3]	München, GER	EUR	25 000	100 %	100 %	Full
Vireo Verwaltungsgesellschaft mbH [4]	Jena, GER	EUR	245 340	100 %	100 %	Full
Feintool Japan Co. Ltd	Atsugi, J	JPY	225 000 000	100 %	100 %	Full
Feintool Precision System Parts (Taicang) Co. Ltd.	Taicang, CN	USD	20 800 000	100 %	100 %	Full
Feintool System Parts Lyss AG	Lyss, CH	CHF	3 100 000	100 %	100 %	Full
Feintool System Parts Most s.r.o.	Most, CZ	CZK	100 000 000	100 %	100 %	Full
Feintool Technologie AG	**Lyss, CH**	**CHF**	**2 000 000**	**100 %**	**100 %**	**Full**
Feintool (Chongquing) Technology Co. Ltd. in Liq. [5]	Chongquing, CN	USD	61 000	100 %	100 %	Full
Feintool U.S. Operations, Inc.	**Cincinnati, USA**	**USD**	**31 421 631**	**100 %**	**100 %**	**Full**
Feintool Cincinnati, Inc.	Cincinnati, USA	USD	3 000 000	100 %	100 %	Full
Feintool Equipment Corp.	Cincinnati, USA	USD	50 000	100 %	100 %	Full
Feintool New York, Inc.	White Plains, USA	USD	500 000	100 %	100 %	Full
One Holland Ave. Development LLC	Cincinnati, USA	USD	–	100 %	100 %	Full
Feintool Tennessee, Inc.	Nashville, USA	USD	–	100 %	100 %	Full
HL Holding AG	**Lyss, CH**	**CHF**	**100 000**	**100 %**	**100 %**	**Full**

[1] Feintool Automotive System Parts (Tianjin) Co. Ltd. carried out a capital increase in the amount of EUR 12 million in the financial year 2018.

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

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

[4] Jela Immobilien GmbH holds a 90 % interest in Vireo Verwaltungsgesellschaft mbH. The remaining 10 % is held by HL Holding AG. In the 2019 financial year, 90 % of Vireo Verwaltungsgesellschafts mbH was sold by HL Holding AG to Jela Immobilien GmbH.

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

7 CURRENT INTEREST-BEARING LIABILITIES

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Current interest bearing liabilities – third parties	13 572	49 635
Current interest bearing liabilities – intercompany [1]	45 306	48 188
Current leasing liabilities	314	–
Total current interest bearing liabilities	**59 193**	**97 823**

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

8 TRADE AND OTHER CURRENT PAYABLES

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Current liabilities – third parties	1 015	3 358
Current liabilities – related parties	204	146
Current liabilities – intercompany	–	14
Current liabilities – organs	47	44
Trade and other payables	**1 266**	**3 562**

9 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Accruals for salary, bonus, overtime	986	1 655
Outstanding accounts payable	1 162	1 273
Tax accruals	–	2 596
Other accrued expenses	–	30
Accrued expenses – intercompany	961	396
Total accrued expenses and deferred expense	**3 109**	**5 950**

10 NON-CURRENT FINANCIAL LIABILITIES

	12/31/2019 in CHF 1 000	12/31/2018 in CHF 1 000
Non-current interest bearing liabilities – third parties [1]	44 501	–
Non-current leasing liabilities	294	–
Total non-current interest bearing liabilities	**44 795**	**–**

[1] On June 13, 2017, Feintool signed a syndicated loan with six banks amounting to CHF 90 million with an option to increase by another CHF 60 million. On May 17, 2018, this contract was extended and will now run until June 13, 2023. On December 31, 2019, CHF 44.5 million of the syndicated loan was used by Feintool International Holding AG (previous year CHF 34.1 million). Any drawdowns by subsidiaries are guaranteed by Feintool International Holding AG up to a maximum amount of CHF 99 million. In accordance with the principle of substance over form, the syndicated loan will be reported as a noncurrent interest-bearing liability to third parties starting in 2019.

11 NON-CURRENT PROVISIONS

Non-current provisions include provisions for insurance payments in the amount of kCHF 490 (previous year kCHF 383) and provisions for anniversary benefits of kCHF 107 (previous year kCHF 126).

12 SHARE CAPITAL

12.1 Share capital

	12/31/2019 Number/CHF	12/31/2018 Number/CHF
Number of shares	4 914 842	4 914 842
Nominal value	10	10
Share capital	49 148 420	49 148 420

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

12.2 General legal reserves from capital contributions

The statutory reserves from capital contributions include the premium from capital increases, less the previous dividend distributions. The distribution from reserves from capital contributions is treated in the same way as the repayment of capital for tax purposes. The Swiss Federal Tax Administration (FTA) has confirmed that the reported reserve from capital contributions is recognized as a capital contribution pursuant to Art. 5 (1bis) Swiss Withholding Tax Act.

13 CONDITIONAL CAPITAL – EMPLOYEE STOCK OPTION PLAN

The disclosure of the conditional capital is represented in Note 25.3 on page 66 of the Notes to the Financial Statements.

14 AUTHORIZED SHARE CAPITAL

The disclosure of authorized share capital is reported in the Notes to the consolidated financial statements under Note 25.4 on page 67.

15 TREASURY SHARES

The disclosure of the treasury shares is represented in Note 25.5 on page 67 of the Notes to the Financial Statements.

16 OPERATING INCOME

	2019 in CHF 1 000	2018 in CHF 1 000
Operating income – third party	861	257
Income from intercompany services	30 430	33 600
thereof licenses and patents	18 875	18 939
thereof other management services	3 045	6 777
thereof IT services	5 907	5 183
thereof internal services, building maintenance/services and staff restaurant	1 221	1 134
thereof other intercompany services	1 382	1 567
Total operating income	**31 291**	**33 857**

17 FINANCIAL INCOME

	2019 in CHF 1 000	2018 in CHF 1 000
Interest income – third party	20	14
Interest income – intercompany	2 535	1 903
Foreign exchange gains	20 975	16 015
Total financial income	**23 530**	**17 932**

18 PERSONNEL EXPENSES

	2019 in CHF 1 000	2018 in CHF 1 000
Salaries and wages	6 334	5 189
Employee welfare expenses	799	924
Other personnel expenses	597	1 309
Total personnel expenses	**7 730**	**7 421**

Feintool International Holding AG employed 33 staff at the end of the year (previous year 34; calculated in Full Time Equivalents).

19 OTHER OPERATING EXPENSES

	2019 in CHF 1 000	2018 in CHF 1 000
Research and development	2 895	2 747
Patents and licenses	312	264
Corporate communication and investor relations	564	1 550
Information technology	3 364	2 903
Consulting	1 392	960
Rent	234	486
Staff restaurant	327	468
Capital tax	-309	238
Other expenses	415	710
Total other operating expenses	**9 193**	**10 326**

20 FINANCIAL EXPENSES

	2019 in CHF 1 000	2018 in CHF 1 000
Interest expense – third party	776	413
Other finance costs – third party [1]	540	578
Foreign exchange losses – third party	23 066	16 363
Total financial expenses	**24 382**	**17 354**

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

21 PRIOR-PERIOD EXPENSES

Prior-period expenses relates to prior-period expenses from intercompany services.

22 CONTINGENT LIABILITIES IN FAVOR OF THIRD PARTIES

	2019 in CHF 1 000	2018 in CHF 1 000
Guarantees and sureties for Group companies	27 200	15 893
Subordination clauses in favor of subsidiaries	955	955
Joint and several liability as regards cash pooling	p.m.	p.m.
Joint and several liability as regards Swiss value added tax	p.m.	p.m.

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

23 MAJOR SHAREHOLDERS

The disclosure of the major shareholders is represented in Note 32 on page 75 of the Notes to the Financial Statements.

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

	12/31/2019 Number of registered shares	**12/31/2018** Number of registered shares
Alexander von Witzleben, Chairman of the Board of Directors [1]	35 057	30 057
Dr. Michael Soormann, Deputy Chairman of the Board of Directors	–	–
Thomas A. Erb, Member of the Board of Directors	–	–
Heinz Loosli, Member of the Board of Directors	3 481	3 481
Norbert Indlekofer, Member of the Board of Directors from April 24, 2018 on [2]	–	–
Total Board of Directors	**38 538**	**33 538**
Knut Zimmer, CEO	3 746	1 702
Dr. Thomas F. Bögli, CFO	4 047	1 623
Total Group Management	**7 793**	**3 325**
Total other employees	**566**	**552**

[1] Held directly and indirectly; the 5 000 shares with a value of CHF 298 000 as remuneration for the 2019 financial year were assigned on January 3, 2020.

[2] The General Meeting on April 24, 2018, elected Norbert Indlekofer to the Board of Directors.

The shares are valued at a price of CHF 61.80 (previous year: CHF 75.20) as of December 31, 2019. This results in a total value of kCHF 2 898 (previous year: kCHF 2 814).

25 LIABILITIES TO EMPLOYEE BENEFIT PLANS

There was no liability to the pension fund as of December 31, 2019 (previous year kCHF 0).

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 an ordinary dividend of CHF 0.50 per registered share.

	12/31/2019 in CHF
(Loss)/Gain carryforward from previous year	77 395 333
Result for the year	25 297 052
Available earnings	**102 692 385**
Payment of an ordinary dividend of CHF 0.50	-2 457 421
Gain Carryforward	**100 234 964**

In addition to the ordinary dividend as proposed above, the Board of Directors will request that an additional dividend of CHF 0.50 per registered share be distributed from the capital contribution reserves:

Capital contribution reserves before distribution	**129 395 995**
Transfer from capital contribution reserves to voluntary retained earnings and payment of an additional dividende of CHF 0.50	-2 457 421
Capital contribution reserves after distribution	**126 938 574**

This corresponds to a maximum total dividend distribution of kCHF 4 915 (previous year kCHF 9 830). 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.

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, 2019, 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 85 to 96) for the year ended December 31, 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

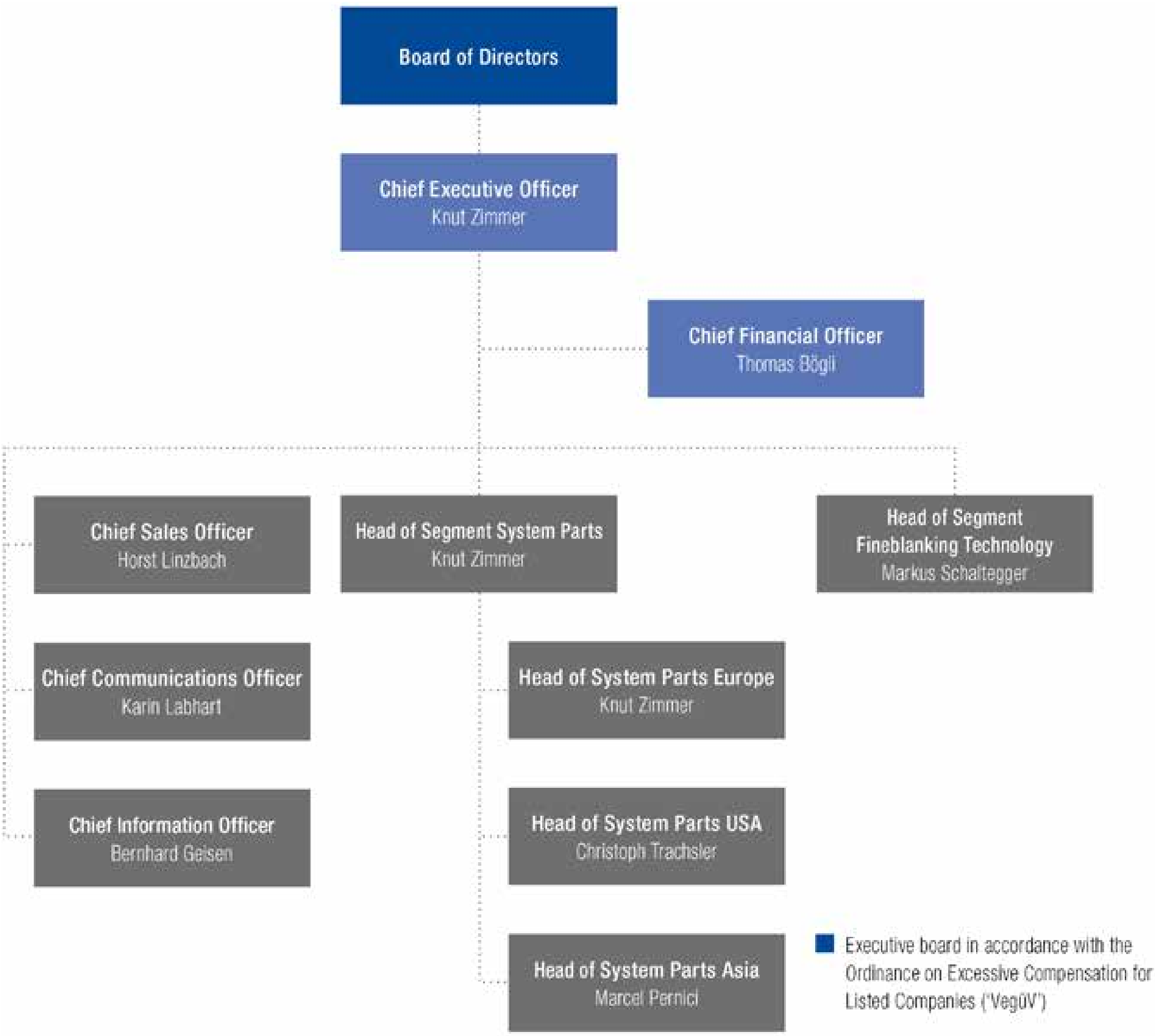
Joel Meer-Rau
Licensed Audit Expert

Zurich, March 2, 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

CORPORATE GOVERNANCE

Good governance is a core component of our corporate strategy



Operational management structure by 31 December 2019

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

1.1.1 Operational Group structure

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

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

1.1.2 Listed company

Name and registered office:	Feintool International Holding AG, 3250 Lyss (Switzerland)
Place of listing:	SIX Swiss Exchange
Swiss security no.:	932009
ISIN:	CH0009320091
Telekurs:	FTON
Reuters:	FTONn.S
Stock market capitalization: [1]	CHF 303 138 146 (as at December 31, 2019)

[1] Without 9 694 treasury shares.

Key share prices in 2019 financial year:

Highest	01/17/2019	CHF	82.60
Lowest	08/27/2019	CHF	51.30
Closing price	12/30/2019	CHF	61.80

With 2 187 shareholders (previous year 2 051), the number of shareholders increased over the last twelve months about 136. As of December 31, 2019, the free float amounts to 41.54 % (previous year 41.54 %).

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

No subsidiary companies are listed.

1.1.3 Unlisted companies

The unlisted subsidiaries that are included in the scope of consolidation of Feintool International Holding AG are listed on page 90.

1.2 Major shareholders

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

Subsequently to the capital increase of September 20, 2018, Artemis Beteiligungen I AG and Michael Pieper reported – on the same date – an increase in their holdings of Feintool shares by 227 400 to 2 473 349 shares, thus maintaining their shareholding of 50.32 %.
The last notice by Geocent AG on July 15, 2013, comprised 400 285 shares or 8.97 % of the corresponding share capital. Following the capital increase on September 20, 2018, 400 285 shares correspond to a capital share of 8.14 %.

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

1.3 Cross-shareholdings

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

2 CAPITAL STRUCTURE

2.1 Ordinary capital

As at December 31, 2019, the share capital of Feintool International Holding AG amounted to CHF 49 148 420, comprising 4 914 842 fully paid-up registered shares with a par value of CHF 10 each.

2.2 Authorized and conditional capital

Authorized capital

By resolution of the General Meeting of April 24, 2018, the Board of Directors was authorized, if required, to create authorized capital amounting to a maximum of CHF 6 000 000 by issuing a maximum of 600 000 new shares with a par value of CHF 10 each. The new shares must be paid up in full. The

Board of Directors is authorized to restrict or exclude the subscription right in certain cases. The shares may be issued in one or more steps. The authorization is limited to two years. The authorized share capital will expire on April 24, 2020.
On September 20, 2018, Feintool increased its share capital by CHF 4 518 710 by issuing 451 871 new shares with a par value of CHF 10 each. As at December 31, 2019, the authorized capital of Feintool International Holding AG thus amounted to CHF 1 481 290, comprising 148 129 registered shares with a par value of CHF 10 each.

Conditional capital for stock options plans
In accordance with Art. 3b, para. 2 of the Articles of Association (https://www.feintool.com/fileadmin/PDF/Statuten/FIH_Statuten_Nach_KE_20180919_EN.pdf), the share capital is to be increased, to the exclusion of the subscription rights of existing shareholders, by a maximum of CHF 557 500 through the issue of a maximum of 55 750 registered shares to be fully paid up and with a par value of CHF 10 each (stock option plan). However, no stock options were issued. For further details of the capital structure, please see pages 66 and 92 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
12/31/2016	held				44 629 710	4 462 971
12/31/2017	held				44 629 710	4 462 971
09/20/2018	increase	451 871	10	4 518 710	49 148 420	4 914 842
12/31/2018	held				49 148 420	4 914 842
12/31/2019	held				49 148 420	4 914 842

[1] in CHF

Authorized capital

Date	Description	Number	Par value [1]	Increase/ decrease [1]	Capital [1]	Number of shares
12/31/2016	held				6 000 000	600 000
12/31/2017	held				6 000 000	600 000
04/19/2018	expired [2]	-600 000	10	-6 000 000	–	–
04/24/2018	created [2]	600 000	10	6 000 000	6 000 000	600 000
09/20/2018	used [3]	-451 871	10	-4 518 710	1 481 290	148 129
12/31/2018	held				1 481 290	148 129
12/31/2019	held				1 481 290	148 129

[1] in CHF

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

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

Conditional capital

Date	Description	Number	Par value [1]	Increase/ decrease [1]	Capital [1]	Number of shares
12/31/2016	held				557 500	55 750
12/31/2017	held				557 500	55 750
12/31/2018	held				557 500	55 750
12/31/2019	held				557 500	55 750

[1] in CHF

For details on financial years prior to 2016, please refer to page 98 onwards of the 2016 Annual Report.

2.4 Shares

The 4 914 842 registered shares of Feintool International Holding AG have a par value of CHF 10 each and are fully paid up. One registered share corresponds to one vote. There are no voting right restrictions, and there are no voting or preference shares (unitary share structure). All shares have equal dividend rights. Feintool International Holding AG does not have any participation capital.

2.5 Dividend right certificates

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

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability for each share category

In accordance with Art. 4 of the Articles of Association, the voting rights attached to shares and other rights that accompany voting rights may only be exercised by those recorded in the share register as voting shareholders. The Board of Directors may refuse registration as a shareholder with voting rights if a person acquiring shares does not expressly declare that they have acquired the shares in their own name and at their own expense.

2.6.2 Granting of exceptions

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

2.6.3 Nominee registrations

As stated in section 2.6.1, there are no privileges or restrictions with regard to transferability with the exception of the nominee registrations clause.

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

Any amendment to these provisions (easing or limitation) requires the approval of at least two-thirds of the votes represented and an absolute majority of the share par values represented (Art. 12 of the Articles of Association).

2.7 Convertible bonds and options

There were no convertible bonds or options issued as at December 31, 2019.

MEMBERS OF THE BOARD OF DIRECTORS, FEINTOOL INTERNATIONAL HOLDING AG

As at December 31, 2019

ALEXANDER VON WITZLEBEN (1963, GERMAN NATIONAL)

Position: Member of the Board of Directors

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, Hergiswil
- 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, Hergiswil

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 till April 2019 of Franke Holding AG

NORBERT INDLEKOFER
(1958, GERMAN NATIONAL)

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

Qualifications:
Degree in mechanical engineering, University of Stuttgart

Professional background:

- 2014-2016 Schaeffler AG:
  CEO Automotive
- 2011-2014 Schaeffler AG:
  Automotive: Member Management Board Transmission Systems and Member of the Executive Board
- 2009-2010 Schaeffler Automotive:
  Chief Executive Officer
- 2006-2009 INA-Schaeffler KG Chairman of the Management Board:
  Transmission and Chassis Systems
- 2006-2009 LUK Group.
  Chairman of the Management Board

Other activities and commitments:

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

HEINZ LOOSLI
(1954, SWISS NATIONAL)

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

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

Professional background:

- 1978–1994 H. A. Schlatter AG:
  Sales Manager (1978–1984),
  Country Manager – China (1985–1988),
  Head of Automation profit centre (1988–1994)
- 1994–1996 Ascom Autelca AG:
  Head of Ticketing division
- 1996–2009 With Feintool Group, initially as Head of Presses and Systems at Feintool AG Lyss and later of Feintool System Parts segment
- 2009–2016 CEO of the Feintool Group

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

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors
As of December 31, 2019, the Board of Directors comprised five members. With the exception of Heinz Loosli, the members of the Board of Directors did not belong to the executive management of Feintool or any of its subsidiaries either in the financial year or in the three preceding financial years. Apart from the business relationships listed for individual members of the Board of Directors, there were no business relationship with Feintool or its subsidiaries in the financial year or in the three preceding financial years. Heinz Loosli was CEO of the Feintool Group until August 31, 2016.

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

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

3.4 Election and terms of office

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

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

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

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

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

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

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

Name	Member since	Term of office until AGM on
Alexander von Witzleben	1998	April 30, 2020
Dr. Michael Soormann	2010	April 30, 2020
Thomas A. Erb	2012	April 30, 2020
Norbert Indlekofer	2018	April 30, 2020
Heinz Loosli	2017	April 30, 2020

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 2019 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 four detailed meetings. The CEO and CFO attended all the meetings. Additional members of operational management also attended if the topic was relevant to them.

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

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

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

The CEO's responsibilities include management of the company's operations, as well as drawing up requisite remits, directives and guidelines within the framework of the organizational structure approved by the Board of Directors. The CEO is responsible for managing and organizing Group Management and also represents the company in dealings with the Board of Directors, the general public and the authorities.

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

Group Management determines binding, Group-wide management instruments (planning, accounting, management information systems and controlling) and is responsible for developing the corporate culture. It is also responsible for developing and periodically reviewing the corporate strategy and for its implementation. Group Management prepares information on all matters that fall under the responsibility of the Board of Directors and is also responsible for ensuring that the Board's resolutions are implemented.

3.7 Information and control instruments of Group Management

At its meetings, all members of the Board of Directors and members of Group Management have an obligation to provide the required information. If necessary, other senior executives may also be involved. At such meetings, the Chairman informs the other members of the Board of Directors about their activities since the last Board meeting; the CEO reports on current business developments and the CFO comments on financial reporting.

As part of the Feintool Group's Management Information System (MIS), members of the Board of Directors receive a monthly report from Group Management informing them about the financial and business situation of the company and relevant company segments. This report contains information on market and sector developments and risks, the income statement and balance sheet as well as key figures (growth, margins and development, order entry and order backlog, etc.) and detailed quarterly, interim and annual financial statements, which are then commented on by the CEO and the CFO at meetings held specifically for this purpose. This includes a data comparison with the prior years and with the budgeted figures. A detailed risk report is prepared once a year, which is explained and discussed at a meeting (see also the risk report on page 116). 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, 2019

KNUT ZIMMER
(1963, GERMAN NATIONAL)

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

Qualifications:
Graduate in Business Administration, Stuttgart
Industrial Administrator

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

Other activities and commitments:
None

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

Position: CFO Feintool Group

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

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

Other activities and commitments:
None

4 GROUP MANAGEMENT

4.1 Members of Group Management
In accordance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares ("ERCO"), Group Management consisted of two members as of December 31, 2019. The management structure can be found in the organizational chart shown in section 1.1.1 on page 100 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 swiss and german listed companies of a similar size in the automotive supplier industry which do business with their own manufacturing plants in the most important production 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 swiss and german listed industrial companies with a similar size, with a focus on automotive suppliers, which do business with their own manufacturing plants in the most important production markets. The comparison includes basic, overall and direct compensation as well as selected fringe benefits (occupational pension, company car and lump-sum expenses).

5.2 Elements of the compensation system

5.2.1 Board of Directors
The compensation paid to members of the Board of Directors consists of a fixed component plus the lump-sum reimbursement of expenses and an attendance fee. Members of the various committees are reimbursed individually with a fixed component and an attendance fee. If meetings of the Board of Directors and the various committees take place immediately after each other, the attendance fee is paid only once.

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

5.2.2 Group Management

The compensation paid to Group Management is based on a fixed proportion of each individual's salary (fixed component). In addition, the amount of compensation is determined directly by the attainment of targets and performance of each member of Group Management, as well as the financial performance of the company (variable component). The performance-related bonus is determined on the basis of operating results (EBIT) and the degree to which annually agreed individual objectives have been achieved. The bonus for the CEO is entirely calculated according to the EBIT of the Feintool Group. For the CFO, the ratio of operational to personal objectives is approximately 70:30. The variable compensation component paid to the members of Group Management is between 30 % and 70 % of the fixed salary component.

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

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

5.3 Statutory regulations regarding compensation

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

5.4 Compensation for acting members of governing bodies

Full details of the effective compensation can be found on page 118 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 Wednesday, April 22, 2020 (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 30, 2019, KPMG AG, Zurich, was elected as statutory auditors for one year. Roman Wenk is the lead auditor for the term of the mandate.

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

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

8.2 Auditing fees
The auditing fees agreed with KPMG AG in respect of the financial statements for the 2019 financial year amounted to CHF 518 000.

8.3 Additional fees
In the reporting period, KPMG AG agreed a total fee of CHF 19 000 for audit-related services (Tax).

8.4 Information instruments pertaining to external audit
The auditors attended two meetings of the Audit Committee. . In addition to the annual audit report, KPMG AG prepares a comprehensive report on the results of its audit for the Board of Directors. At the end of the financial year, the Audit Committee, with the CEO and CFO also in attendance, discusses the comprehensive report to the Board of Directors and the auditors' report with the auditors.

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

9 INFORMATION POLICY

Feintool communicates actively with shareholders, the media and investors. The company provides regular information on its business performance in the form of press releases and holds at least two press conferences per year. Nine press releases were published during the financial year from January 1 to December 31, 2019. 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 50 individual meetings with existing or prospective investors. A further 50 or so existing or prospective investors were also welcomed at group meetings.

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

Bank	Name
Kepler Cheuvreux	Torsten Sauter
Research Partners AG	Robin Seydoux
Zürcher Kantonalbank	Alexander Koller

Shareholders in Feintool International Holding AG receive interim and annual reports on request, and are kept regularly informed about new corporate developments of interest to them in the form of shareholder letters. During the 2019 financial year, two such letters were sent on the subjects of the 2018 year-end financial results and the 2019 interim results.

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

10 SIGNIFICANT CHANGES AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

RISK ASSESSMENT

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

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

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

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

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

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

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

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

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

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

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

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

For financial risks please also consider the Notes to the Financial Statements section 29 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 2019 reflect the business performance in the year under review.

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

3 COMPENSATION FOR ACTING MEMBERS OF GOVERNING BODIES

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

3.1 Members of the Board of Directors (including related parties) in CHF	Fixed salary [2)]	Shares/ options [3)]	Contributions to pension plans [4)]	Total
In the 2019 financial year				
Alexander von Witzleben, Chairman	274 000	298 000	128 207	**700 207**
Dr. Michael Soormann, Deputy Chairman	142 500	–	–	**142 500**
Thomas A. Erb, Member	50 000	–	3 141	**53 141**
Norbert Indlekofer, Member [5)]	80 000	–	10 214	**90 214**
Heinz Loosli, Member	50 000	–	–	**50 000**
Total Board of Directors	**596 500**	**298 000**	**141 562**	**1 036 062**
In the 2018 financial year				
Alexander von Witzleben, Chairman	274 000	373 000	131 044	**778 044**
Dr. Michael Soormann, Deputy Chairman	135 000	–	–	**135 000**
Thomas A. Erb, Member	52 500	–	3 317	**55 817**
Norbert Indlekofer, Member [6)]	34 167	–	4 094	**38 261**
Dr. Rolf-Dieter Kempis, Member [7)]	17 500	–	2 157	**19 657**
Heinz Loosli, Member	52 500	–	–	**52 500**
Dr. Thomas Muhr, Member [7)]	10 000	–	–	**10 000**
Total Board of Directors	**575 667**	**373 000**	**140 612**	**1 089 279**

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 222 683 (previous year CHF 278 728). 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) Fixed salary for 2019 includes CHF 30 000 for strategy consulting.

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

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

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

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

The highest compensation was paid to Knut Zimmer, CEO (previous year Knut Zimmer, CEO).

3.2 Group Management

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

3.2.1 Members of Group Management (including related parties) in CHF	Fixed salary [1]	Variable salary [2]	Shares/options [3]	Benefits in kind [4]	Contributions to pension plans [5]	**Total**
In the 2019 financial year						
Knut Zimmer, CEO	459 996	70 433	119 942	4 800	268 815	**923 986**
Dr. Thomas F. Bögli, CFO	360 000	82 003	154 927	4 800	109 825	**711 555**
Total Group Management	**819 996**	**152 436**	**274 869**	**9 600**	**378 640**	**1 635 541**
In the 2018 financial year						
Knut Zimmer, CEO	459 996	171 720	119 947	4 800	173 760	**930 223**
Dr. Thomas F. Bögli, CFO	360 000	85 860	34 934	4 800	100 077	**585 671**
Total Group Management	**819 996**	**257 580**	**154 881**	**9 600**	**273 837**	**1 515 894**

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 of the two preceding months before disbursement. They have a staggered lock-in period of 1 to 4 years. Disbursement took place in August/December. The taxable value of the shares, which includes the discount for the lock-in period, is for Knut Zimmer CHF 103 903 (previous year CHF 103 914) and Thomas F. Bögli CHF 134 209 (previous year CHF 30 263).

4) Provision of company cars, etc.

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

The highest compensation was paid to Knut Zimmer, CEO (previous year Knut Zimmer, CEO).

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

4 COMPENSATION FOR FORMER MEMBERS OF GOVERNING BODIES

The remuneration below refers to the period after departure of the members of Board of directors and Group Management from January 1 until December 31, 2019 respectively from January 1 until December 31, 2018.

4.1 Former members of Group Management (including related parties) in CHF	Fixed salary [1]	Variable salary	Shares/options	Benefits in kind [2]	Contributions to pension plans [3]	**Total**
2019 total for former members	60 000	–	–	–	3 075	**63 075**
2018 total for former members [4]	785 328	–	–	4 800	119 428	**909 556**

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

[2] Provision of company cars, etc.

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

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

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, 2019. 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 118 to 122 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, 2019 of Feintool International Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

Joel Meer-Rau
Licensed Audit Expert

Zurich, March 2, 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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as at December 31, 2019

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