EXPANDING HORIZONS WITH FINEBLANKING, FORMING AND STAMPING

FEINTOOL GROUP
Annual Report 2020

FEINTOOL

EXPANDING HORIZONS

KEY FIGURES AT A GLANCE

(ongoing operations only)

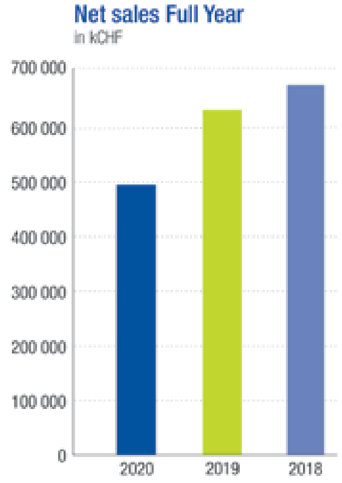
	2020 01/01/–12/31/20	2019 01/01/–12/31/19	2018 01/01/–12/31/18	2017 01/01/–12/31/17	2016 01/01/–12/31/16
Operating figures in CHF m					
Expected releases – high volume parts manufacturing	253.1	265.2	286.1	264.0	240.9
Orders received third (investment goods)	24.5	50.5	87.7	82.7	57.2
Orders backlog third (investment goods)	10.8	18.5	31.0	38.3	19.1
Net sales	492.0	632.7	679.6	612.3	552.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	53.2 [1]	67.7	89.7	83.2	76.0 [2]
Operating profit (EBIT)	3.0 [1]	18.9	47.5	46.3	41.3 [2]
Net earnings	-4.3 [1]	10.7	30.5	27.7	26.6 [2]
Return figures in %					
EBITDA margin	10.8 [1]	10.7	13.2	13.6	13.8 [2]
EBIT margin	0.6 [1]	3.0	7.0	7.6	7.5 [2]
Net return on sales	-0.9 [1]	1.7	4.5	4.5	4.8 [2]
Cash flow and balance sheet statistics in CHF m					
Cash flow from operating activities	37.8	82.0	67.0	38.5	74.1
Cash flow from investing activities (net)	-40.3	-51.8	-121.0	-77.1	-59.4
Free cash flow	-2.4	30.2	-54.0	-38.6	14.7
Total assets	677.1	706.3	705.3	600.4	530.7
Equity	293.9	309.9	320.8	255.2	229.9
Liabilities	383.2	396.4	384.5	345.1	300.8
Net debt	146.9	140.8	147.9	81.9	16.2
Equity ratio	43.4 %	43.9 %	45.5 %	42.5 %	43.3 %
Gross investments	43.3	56.3	101.2	60.1	74.9
Key figures per share in CHF					
Earnings per share (basic)	-0.87 [1]	2.17	6.63	6.22	5.97 [2]
Dividend per share	0.00 [3]	0.00	2.00	2.00	2.00
Equity per share	59.80	63.05	65.26	57.19	51.61
Other					
Number of employees at year-end (excl. apprentices)	2 570	2 641	2 697	2 485	2 239

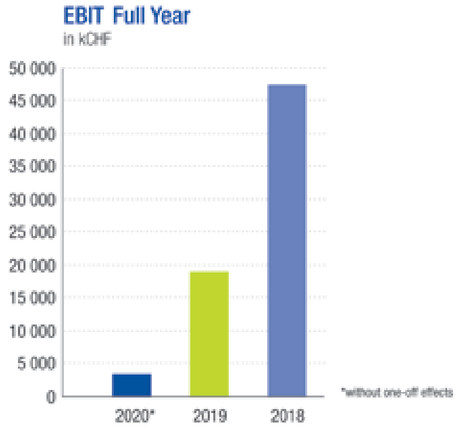
[1] In the 2020 financial year, the company agreed to a change in benefits in the Swiss pension plan and a curtailment due to the staff reduction measures, which had a positive one-off effect of kCHF 6 253 on comprehensive income for the period in accordance with IAS 19 (amount excl. deferred tax assets of kCHF 1 376). In addition, due to capacities no longer required at two plants, an impairment loss on manufacturing equipment totaling kCHF 5 932 was recognized (amount excl. deferred tax assets of kCHF 1 384). In this overview, EBITDA, EBIT, the group result, the profit margin, and earnings per share are presented without these effects.

[2] 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.

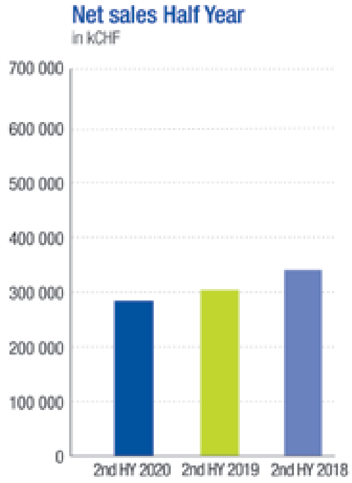
[3] Board of Directors' proposal

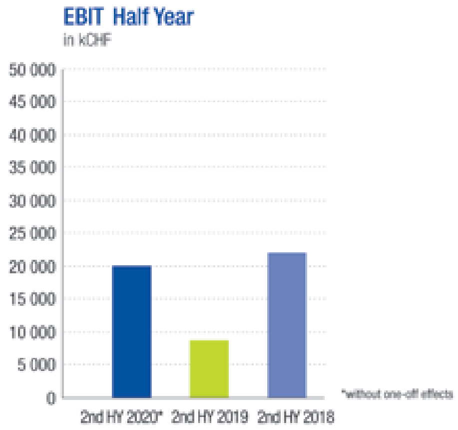
"Slightly positive operating profit despite the massive decline in sales due to the COVID-19 pandemic"





"Strong recovery in the second half of the year: Sales development in line with the market, seven percent operating profit"





Feintool – the Company

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KNUT ZIMMER ALEXANDER VON WITZLEBEN

Dear Shareholders,

Despite the impact of the COVID-19 pandemic and what continues to be a difficult market environment, Feintool was able to close out the 2020 financial year with operating earnings slightly in the black. Following a sharp decline in sales in the first half of the year, business performance and the result in the second half was quite strong overall, although it differed from region to region and from technology to technology.

The progress of the pandemic worldwide and its impact on business activities cannot be assessed conclusively at the present time. Nevertheless, Feintool remains optimistic about the future, as the international automotive industry – the company's most important market – is showing clear signs of recovery from the coronavirus crisis in Europe, Asia, and the United States, and promises to remain a growing global market between now and 2035. Feintool took advantage of the year 2020 to continue refining its corporate strategy for the period through 2030, and with its products and technologies, is well positioned for the transformation process in the automotive industry. Lasting improvements were achieved through measures to increase efficiency and cost-effectiveness. As such, Feintool's plants are positioned for maximum efficiency. With high-performance and efficient sheet-metal technology for the automotive market and for industrial applications, the company is active in key markets worldwide. Feintool's precision components and their applications make the future of individual mobility possible.

2020 market trends
2020 was a year of crisis for the automotive industry. The spread of the coronavirus led to a global collapse in sales of around 18 percent in the industry compared to 2018 (according to an IHS study). The study mirrors developments both in Feintool's capital goods segment – Fineblanking Technology – with its range of presses, and System Parts, its parts manufacturing segment.

While the first half of the year was marked by losses for both Feintool segments, the second half of the year saw a significant increase in sales in the parts manufacturing segment – in China, for example, sales stood 29 percent higher than in the same period in the previous year, primarily as a result of new products being launched. In Europe, sales increased from the first half to the second half of the year. For the entire year, however, sales here remained 18 percent below their 2019 level. We are pleased to report that sales in the United States picked up sharply within a short span of time, growing by 40 percent compared to the first half of the year. In the capital goods segment, investment activity was significantly curbed due to the COVID-19 pandemic, with the result being virtually no new orders received. Our service business also suffered, as travel restrictions and production shutdowns at customers' facilities meant that we could only carry out activities on a small scale. By the end of the year, however, we once again saw signs of significant demand for new machines in Asia, whereas this was not yet the case in Europe and the United States. Thanks to the clearly improved performance in the System Parts segment in the second half of the year, Feintool was able to generate operating earnings (EBIT) that were slightly in the black for the 2020 financial year as a whole.

The COVID-19 pandemic has accelerated the pace of change in the automotive industry. This transformation process is being shaped by global trends toward low-emission vehicle concepts to address climate change (including as a result of the Paris Climate Agreement), toward connectivity and autonomous vehicles, and toward a globalization of competition. According to forecasts by IHS and Bloomberg, global production of vehicles powered solely by an internal combustion engine (ICE) will only increase through 2022. This indicates that the global market volume will decline from 2023 onwards. This turnaround is taking place worldwide in favor of vehicles with all kinds of hybrid (xHEV) or all-electric drives (xEV). Feintool is already supplying significant quantities for vehicles with alternative drive systems. In China, a strong increase in all-electric drives at the expense of drives with internal combustion engines is expected starting in 2030, in Europe somewhat earlier. The tipping point here has already been forecast for 2025, and demand for vehicles with alternative drive systems has been clearly noticeable for around two years. As expected, business for vehicles with internal combustion engines in the United States will begin to decline in 2030, i.e. slightly delayed. But by the end of this decade, there will also be a sharp increase in demand for all-electric cars here at the expense of internal combustion engines. Apart from developments in drive systems, the automotive market also offers other possible applications for Feintool products and concepts, for example in seating elements. In addition, more than 30 percent of our electrolaminations for electric motors are already being used in the automotive industry.

The outbreak of the COVID-19 pandemic had an impact on planning at Feintool. Depending on the region and country, different measures were taken to minimize the economic impact of the pandemic. As a result, we were able to achieve massive cost savings, stop or postpone capital expenditures, and increase liquidity. In Europe, short-time work schedules were introduced across the board, while in the United States, some of the workforce was laid off and subsequently reinstated. In Japan, the workforce stagnated, while in China, it was actually being increased due to the launch of new products. All of the measures taken helped Feintool come out of the 2020 crisis stronger than before, and the company will continue to benefit from these interventions in 2021. To date, the greatest challenge in light of the pandemic has been protecting the health of employees in accordance with the applicable regulatory requirements. With the outbreak of the pandemic in China at the beginning of 2020, Feintool immediately established a global crisis management system that was managed centrally and implemented regionally with great success. Similar to other companies, Feintool also recorded cases of infection in 2020, but only a few with severe complications and zero fatalities.

Driving the change for the mobility of tomorrow

In 2020, we reviewed our corporate strategy and set updated targets in our “Strategy 2030.” It provides answers to the economically and socially relevant issues of the future for the industry and forms the basis for future management decisions. Feintool sees itself as a technology-agnostic automotive supplier that is making the future of mobility possible with high-performance and innovative sheet-metal technologies and is taking the leading position in the market. Electric mobility is of tremendous strategic importance to us. This field in particular, but also other alternative drive systems, offer attractive growth opportunities for Feintool. More than a third of our products are already used in hybrid vehicles. Our aim is to significantly increase the visibility and profitability of our innovative technologies for the electric mobility sector and for industrial applications, as well as in fuel-cell technology for hydrogen drives. In 2020, we received the first two orders within the scope of our innovative “metallic bipolar plates” project.

In addition, we are striving to achieve stronger growth in Asia, and already making good progress in China as a result of numerous product launches here. We are also regarded as a trusted partner in Japan thanks to our long-standing presence with production facilities here. Another positive note in 2020 was that we were able to secure new orders from Japan in all regions – a major market success for Feintool.

Other key cornerstones of our new overall strategy include technology management and sustainable innovations, increased digitization of processes, enhanced customer focus and cost control (design-to-cost), group-wide talent development, and stronger positioning as a globally attractive employer.

Sustainable corporate governance

As a result of our updated “Strategy 2030,” Feintool is now focusing on cutting-edge technology leadership, long-term reliability, and sustainable profitability backed up by a broad range of products that are in line with market requirements. The sustainability reporting process initiated in 2019 was refined for 2020 and expanded to include information on select United Nations Sustainable Development Goals (SDGs). The separate Sustainability Report for the 2020 financial year will be published in the spring of 2021 (www.feintool.com/sustainability/).

Outlook

Uncertainties about the impact of the coronavirus crisis and shortages in the supply of semiconductors and steel for the automotive industry continue to weigh on expectations and make it difficult to issue a forecast for 2021. Market forecasts continue to anticipate production volumes below those of 2019.

On the other hand, combating the pandemic through efficient hygiene measures and vaccinations on a sufficient scale will have a positive impact on business trends in the automotive sector. We continue to see a reluctance to invest in new machinery, although the first encouraging inquiries from Asia are helping to revive the business.

The long-term competitiveness of our technologies in times of structural change in the automotive industry remains the key success factor. Through our "Strategy 2030," we have laid the necessary groundwork and set a milestone – with streamlined structures and processes, state-of-the-art machinery, and innovative mobility concepts, Feintool is extremely well equipped for the future.

Feintool expects sales to increase in line with the market in the 2021 financial year and profitability to stand significantly higher than in the previous year.

Acknowledgements

We would like to thank you, our shareholders, as well as our customers and suppliers for the confidence you have placed in us. This motivates us to perform at our best in order to achieve our ambitious goals. The year 2020 brought unforeseeable global challenges, yet our team overcame them quickly and exceedingly well across all of our countries and regions. As a result, we would like to take this opportunity to praise and thank all of our employees for their hard work, dedication, and flexibility.

ALEXANDER VON WITZLEBEN
Chairman of the Board of Directors

KNUT ZIMMER
CEO

MARKET REPORT

According to Feintool's latest forecast on the global automotive industry, the automotive market will grow steadily worldwide over the medium and long term, albeit at different rates in the individual regions.

For example, about 100 million vehicles are expected to be sold in 2030, and in all probability, around 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 automated and autonomous driving, safety, and therefore completely different requirements for the driver's and front passenger's seat and will drive new growth.

We can also expect major changes in the drivetrain segment. Driven by regulatory requirements that are increasingly converging globally, we expect a strong increase in hybrid vehicles (2020: 11% / 2030: 50%) and in battery electric vehicles (2020: 3% / 2030: 20%), while the combustible drivetrain engine will lose market share.

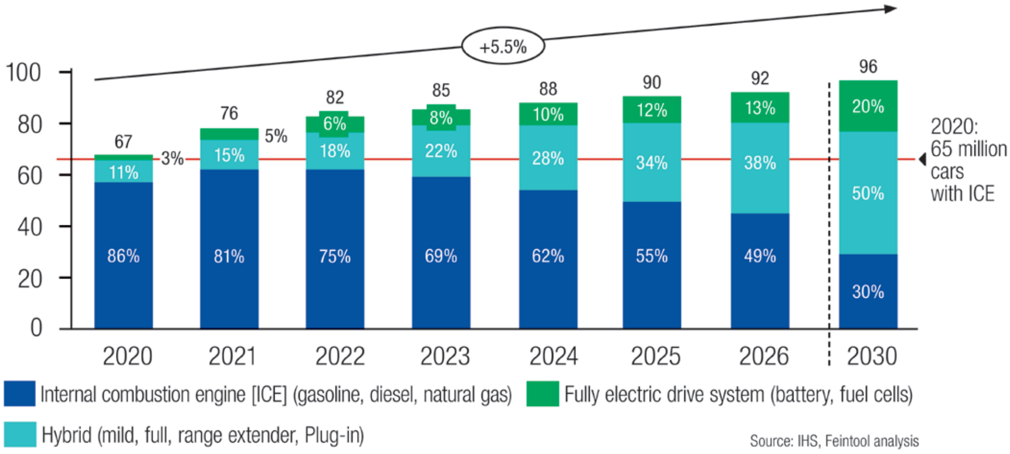
If we look at the market purely in terms of transmission technologies, the trends related to drivetrains outlined above translate into significant growth rates for automatic transmissions, dual-clutch transmissions, and these in combination with electric motors (i.e. hybrid drives) and CVTs (continuously variable transmissions).

The manual transmission, which is still widely used in the EU and China today (with a market share of approx. 49% and 27%, respectively), will become less relevant by 2030 – simply due to the electrified drives and automated driving functions – and will therefore be the real loser as a result of the trends in the coming decade.

Since Feintool's parts are widely used in the increasingly common 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 and beyond.

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 described in the study over the coming decade.

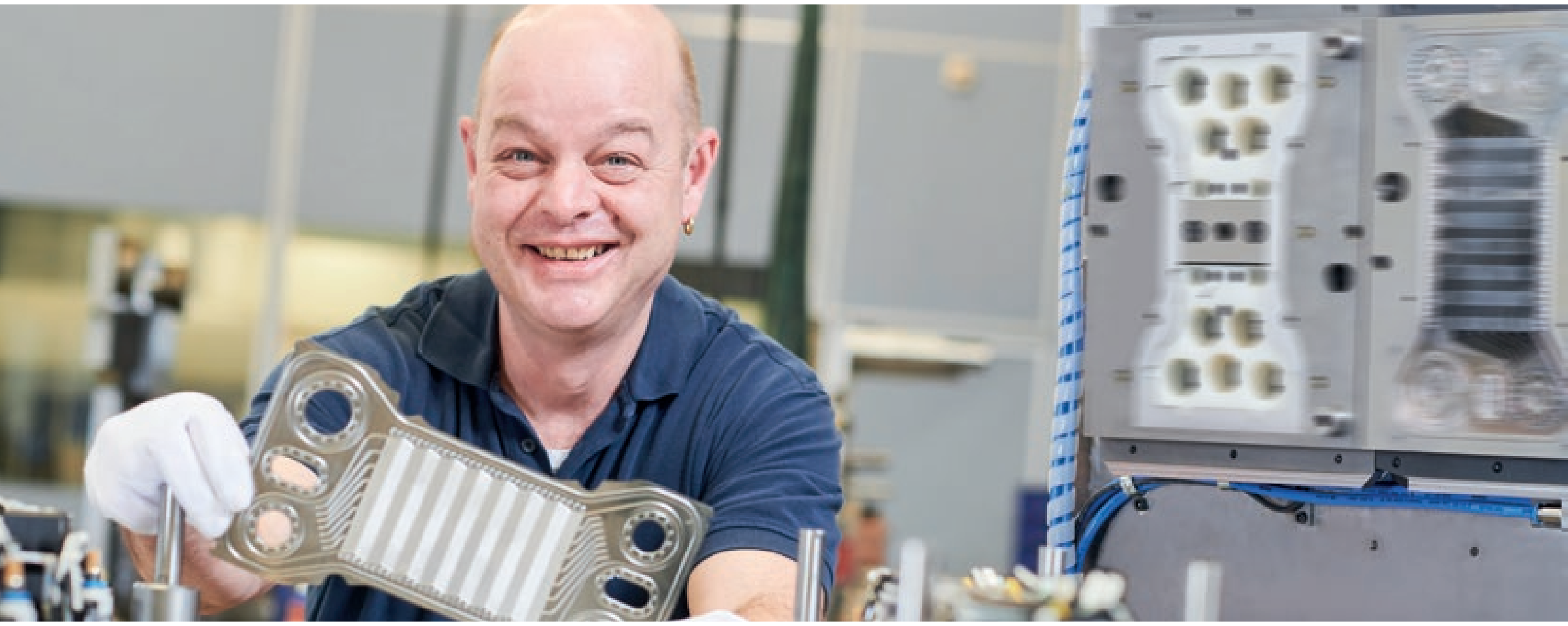
Number of vehicles produced up to 3.5 t total weight, worldwide



Source: IHS, Feintool analysis

FINEBLANKING TECHNOLOGY SEGMENT

The economic environment remains rather challenging for the Fineblanking Technology segment. The reluctance to invest and efforts to save money were once again spurred on by the coronavirus crisis. As expected, the resulting low level of utilization of production capacity slowed the spare parts business and customer service activities. In particular, the lack of capital expenditures resulted in an additional decrease in orders received in the Presses & Systems, Tools, and Services business units. To compensate for the sales decline, comprehensive savings measures were implemented, capital expenditures were postponed, and personnel measures such as short-time work and layoffs were carried out.



Optimization of cost structures in all business units

To counteract the difficult market environment, the segment continued the optimization of cost structures and introduced a reorganization processes divided up into phases. Personnel measures such as expanded short-time work, early retirements in individual cases, and staff layoffs were necessary. These measures were accompanied by the increase in the automation of business processes. Additionally, with regard to technology, the level of automation of business processes was increased, and production costs were optimized as well. To prepare for the recovery of service business, the partnership with an international logistics center in Germany was intensified for the optimization of faster delivery of replacement parts.

A ray of hope in Asia

Thankfully, the fineblanking market in Asia was revived during the last quarter of 2020 and various inquiries ultimately led to orders in the Presses, Machine Overhauls, and Service business units. The Asian subsidiaries in the segment finished the financial year on a positive note thanks to customer service projects, and the United States was also able to finish the year strongly with machine overhauls. In spite of the crisis, the innovation road map was continued, the result being that now the entire series of the new FB one generation of presses is available. Additionally, the FB one was further developed for applications with metallic bipolar plates for fuel cells. The market's responses to the product are very positive.

FB one – a new generation of presses

During the financial year, Feintool developed and built the FB one hydraulic press in the highest performance class of 11 000 kN. The experience gained as part of the field tests were included in the development. This press is available for tests with customer tools at our competence center in Jona, Switzerland, along with additional presses of different sizes. The benchmark results and feedback from customers regarding production show that the goals relating to increasing performance, energy consumption, and stability/durability have been achieved in practice.

Electric vehicles – development of metallic bipolar plates

The research and development activities from the previous year yielded their first successes. The first orders were received in Asia. Specifically, these involved projects for the manufacture of fuel cells. This resulted in the successful production and delivery of the first small series of highly complex plates – a major step for Feintool.

Research and development

The thermofineblanking project is a development that we are implementing together with ETH Zurich. This project is aimed at examining the possibilities of expanding fineblanking applications under the influence of various temperature ranges.

The partnership was able to reach satisfying milestones during the reporting year:
The fineblanked surface quality, crystalline structure, and wear and tear on the tool were investigated by means of a tool-integrated heating system on a test line. We will continue this research in the future and offer it on the market.

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 the luxury goods industry. The Fineblanking Technology segment will continue to develop the customer portfolio over the short term and expand it to be as diversified as possible.

SYSTEM PARTS SEGMENT

The pandemic had an unprecedented impact on the course of business, particularly in the first half of the year. Thanks to considerable collective efforts on the part of all employees and a mid-year market recovery, performance in the second half of the year was – given the circumstances – much stronger. In the end, System Parts succeeded in outperforming the global automotive sector. This puts us in a promising position to achieve sustained profitable growth.

Pandemic shock

Parts production was severely impacted by the outbreak of the coronavirus and its aftermath in the first half of 2020. The markets in Asia, and subsequently in Europe and the USA, came to a partial standstill during the first half of the year. Customer releases were temporarily suspended and we were no longer able to deliver our products. Feintool plants worldwide responded to this situation with extremely swift and efficient measures. In Europe, short-time work schedules were a successful method to quickly adjust to temporary overcapacities. In the United States, almost all of our employees had to be furloughed in order to respond to the production stoppages. In China, the plants were temporarily closed due to official orders, thereby prohibiting employees from working. All of Feintool's plants introduced strict cost management measures, and repairs were only carried out in exceptional cases. Capital expenditures were halted or postponed wherever possible. To secure liquidity, the company negotiated an extension of its credit lines with its principal banks.

Recovering demand

After the summer, demand for our products began to pick up significantly. Production in China had already restabilized by the end of the second quarter. As a result of the existing new product launches, production output fortunately rose above the market level, as planned. In the United States, the company experienced a surprising V-shaped recovery in demand. This meant that steel resources, as well as the availability of employees, could no longer meet demand. In the United States, we were able to return to precrisis levels extremely quickly. Although Europe recovered significantly in the second half of the year, it has not yet returned to precrisis levels. Responding to the rapid rebound in demand was a major challenge for all the plants. Ensuring the availability of equipment and employees as well as process stability was essential in order to meet customer supply requirements.

Efficiency improvements

Despite the restrictions imposed by the measures to combat the spread of the coronavirus, all of our plants continued to successfully work on improving their processes. The company succeeded in stabilizing new manufacturing processes in Asia. The necessary capacities at the Tianjin plant have been installed and are currently being used for series production. In Europe, the plants implemented the improvement projects that had already been initiated. As a result, the company was able to significantly improve its customer delivery performance. Additional costs were eliminated by digitizing quality management. In addition, the plants achieved a lasting reduction in inventories. The modernization of a press plant in Germany is proceeding according to plan. It will begin series production in 2021. The level of automation in the United States was increased in 2020 to stabilize the production process and improve efficiency. Thanks to the successful implementation of these measures, Feintool System Parts is emerging from the crisis stronger than before. The first positive effects could already be seen in the second half of 2020.

Customer globalization

The automotive market will continue to become more globalized. Major customers (OEM, Tier 1) continue to expand their activities in the global sales markets. Feintool has an established presence in all of the most important regions. Sales activities, product and process development, and series production are located close to these customers. This strategy was successfully implemented in 2020 with Japan-based OEMs and Tier 1 partners following intensive sales activities. Our long-standing presence and local corporate culture have paid off. Feintool secured new orders from Japanese customers in Japan, China, Europe, and the United States.

Electric mobility

Feintool reaffirmed the importance of electric mobility within the scope of its strategy review. The company will continue to focus on expanding business with electro lamination (rotor/stator) and bipolar plate (fuel cell) technologies. Feintool's fineblanking and forming technologies are becoming increasingly important for electric cars. Hybrid concepts and the spread of automated drive systems will continue to play a major role for existing products. The bottom line is that we want to make the future of mobility possible with our high-performance sheet-metal technology.

FEINTOOL GROUP

Sales performance in line with the market –
operating profit (EBIT) slightly positive
Significant recovery in the second half of the year and
seven percent operating profit (EBIT)

FINANCIAL REVIEW

as at December 31, 2020

BUSINESS PERFORMANCE

General

The consolidated financial statements for 2020 apply to Feintool International Holding AG and its subsidiaries. They cover the period from January 1 to December 31, 2020.

COVID-19 pandemic

Feintool has been significantly affected by the COVID-19 pandemic worldwide, albeit to varying degrees both regionally and over time.

At the end of January – during the Chinese New Year – the Chinese government restricted people's freedom of movement within China. As a result of government orders, the scheduled closure of both Feintool plants for the holiday was extended from one to around four weeks. Although production could have been resumed at the end of February, the plants were not able to achieve a stable level of production until the second half of March due to gaps in the supply chain, disruptions in interregional travel, and a lack of employees (as a result of existing travel restrictions). From April on, both the situation on the Chinese market and production at Feintool's plants stabilized. Export demand from Europe and the United States was almost completely nonexistent until the end of May, however. In the second half of the year, the negative impact of the COVID-19 pandemic diminished significantly in China. The domestic market recovered nicely. Additional challenges arose during the ramp-up of new products, however, as travel restrictions prevented assistance from other plants.

Due to the various government orders issued as a result of the COVID-19 pandemic and the massive slump in car sales, every single European automaker closed its factories over the course of March. Production was halted for between four and six weeks. The lack of demand forced Feintool to cut back its own production in a very short time and even led to the closure of entire factories. Unlike in China, the subsequent ramp-up was sluggish. It was not until the end of May that production was able to resume more or less on schedule, albeit with output lower than usual. In the second half of the year, the situation also normalized in Europe, even though European sales figures for the year as a whole remained well below the previous year's levels. European production was increasingly stabilized thanks to rising demand for luxury vehicles from China.

On the last weekend of March, many US states issued stay-at-home orders. If a company was not deemed essential, production was halted. This order also applied to the states of Ohio and Tennessee, where Feintool's American plants are located. As a result, production in North America was suspended until the end of May. Unlike in Europe, however, the ramp-up in June was extremely swift, especially at the Tennessee plant, which mainly produces products for SUVs and light trucks – models that sell particularly well in the United States. Sales figures largely recovered in the second half of the year. As a result of supply bottlenecks at steel manufacturers – caused by the rapid recovery – the second half of the year was characterized by operations at an extremely hectic pace and additional costs. These difficulties will continue in the first quarter of 2021.

The last locations to be hit by the effects of the pandemic were the two plants in Japan. Although production there did continue uninterrupted throughout the pandemic, the lack of export demand meant that sales virtually failed to materialize in the months of May until July. The situation in Japan also improved in the second half of the year, although sales figures remained well below the previous year's levels through the end of the year.

Massive travel restrictions are still in place between the continents, in some cases even outright travel bans. These restrictions hinder mutual support between plants, especially during the ramp-up of new products. The maintenance and repair of production lines is also affected if this requires the services of external service technicians.

Feintool attempted to compensate for the loss of contribution due to the slump in sales by cutting costs at all locations. In Europe, the company primarily reduced labor costs through the implementation of short-time work arrangements. In the United States, three-quarters of employees had to be temporarily laid off or furloughed. Many of these measures only had an effect after a delay. Because of this, the results for the second half of the year are presented below in a separate section alongside the results for the year as a whole. The second half of the year illustrates Feintool's operational situation following the implemented adjustments.

One-off effects

In the fall of 2020, the Board of Trustees of the Swiss pension plan decided, together with the pension trust, to restructure the pension plan. The reorganization will take place, on the one hand, through increased contributions by the pension trust in the reporting year and over the coming years and, on the other hand, through the gradual reduction of the conversion rate applicable to future pensions. The reduction of the conversion rate as well as the decreased number of insured employees ("Curtailment") had a one-off positive effect on labor costs in the amount of CHF 6.2 million.

Due to the global economic slowdown, some customers have insourced certain production processes or certain products into their in-house production. As a result, certain production lines at individual Feintool companies are no longer being fully utilized. These assets were impaired by a total of CHF 5.9 million and thus adjusted to the new circumstances.

Unless expressly stated otherwise, the following information applies to Feintool's operational activities excluding these one-off effects.

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

The global economic slowdown caused by the COVID-19 pandemic led to a massive slump in the capital goods business. Global overcapacities and the temporary shutdown of many industrial sites caused a significant decline in orders received. The Fineblanking Technology segment received orders with a value of CHF 32.5 million (previous year: CHF 60.8 million), a decline of 46.1 % adjusted for currency effects. Orders from the System Parts segment accounted for CHF 7.9 million (previous year: CHF 10.2 million) of this total. As a result, third-party orders received fell by 51.0 % to CHF 24.5 million (previous year: CHF 50.5 million) in the local currency. With a share of 24.5 % (previous year: 16.9 %), the importance of the System Parts segment once again increased and it remains the segment's largest single customer.

The order backlog fell by 53.5 % to CHF 10.7 million (previous year: CHF 23.0 million). The current order backlog is insufficient and represents a workload of less than three months. The employees of the assembly plant in Jona will be on short-time work schedules until further notice.

Expected releases in the high-volume parts segment over the next six months totaled CHF 253.1 million (previous year: CHF 265.2 million). As a result, this figure only declined by 4.6 % year over year, reflecting the recovery in the second half of the year. Since customers can adjust or even completely cancel their releases under certain conditions, this indicator is not particularly reliable in times of extreme volatility.

Net sales

The global economic slowdown as a result of the COVID-19 pandemic also had a significant impact on Feintool's annual results. Consolidated sales in the reporting currency fell by 22.2 % to CHF 492.0 million (previous year: CHF 632.7 million). In the reporting year, currency effects – especially in the US dollar – had a negative impact of CHF 19.8 million, equal to 3.1 %. As a result, Feintool recorded a sales decline of 19.1 % expressed in local currency. Both segments suffered a significant decline in sales: the press and tool business shrank – adjusted for currency effects – by 40.6 %, the parts business declined in local currency by 15.7 %. The System Parts segment generated 93.6 % of third-party sales (previous year: 90.1 %), the highest figure since Feintool was founded.

The severe market downturn caused sales in the System Parts segment to decline by 19.1 % to CHF 464.3 million in the reporting year (previous year: CHF 573.9 million). Negative currency effects totaled CHF 19.6 million, resulting in a 15.7 % decline in the segment's sales expressed in local currency. In Europe, parts sales declined by 18.0 %, from CHF 332.7 million to CHF 272.9 million. Currency effects had an impact of CHF 8.5 million; in local currency, sales in Europe thus declined by 15.4 %. Business in North America shrank by 26.3 % in the reporting currency to CHF 127.9 million. The currency effect of the US dollar in the amount of CHF 8.4 million had a negative impact on sales, resulting in a 21.4 % sales decline in local currency. Significantly lower steel prices, which Feintool passes on to its customers, are included in this sales decline; as a portion of sales, lower steel prices accounted for a reduction of around USD 10 million, which corresponds to approximately 5 %. Sales in Asia fell by 6.5 % to CHF 66.5 million. Currency effects had a negative impact of CHF 2.8 million. Business in Asia, adjusted for currency effects, declined by 2.6 %. While sales in Japan declined by 23.4 %, the two plants in China were able to increase sales by about 13 % each. On the one hand, the Chinese market was the fastest in the world to recover from the COVID-19 pandemic, and on the other hand, several new products are being launched in China, which had an additional positive impact. In the parts business, net sales by region changed only marginally. Europe generated 58.4 % of sales (previous year: 57.6 %), and thus was once again responsible for more than half of all parts sales. The contribution to sales by the American plants in the United States fell to 27.4 % (previous year: 30.1 %), partly due to the weakening US dollar. Asia's share of sales rose to 14.2 % (previous year: 12.3 %) thanks to growth in China due to new products. The regional breakdown shown here is dependent on the location of Feintool's direct customers. In the parts business, many products are exported further after having been incorporated into modules or entire vehicles. This results in a much more balanced picture in the regional breakdown by continents when considering "sales to the final customer".

Net sales in the Fineblanking Technology segment fell sharply to CHF 44.2 million (previous year: CHF 74.7 million). The translation effects of foreign currencies are negligible in the capital goods segment. Intercompany sales with the System Parts segment increased slightly to CHF 12.6 million, but rose significantly as a percentage of the total to 28.5 % (previous year: 16.0 %). Sales to third-party customers decreased by 49.7 % to CHF 31.6 million.

Overall, the Feintool Group sold products and services with a total value of CHF 274.4 million in Europe, slightly decreasing the region's share to 55.8 % (previous year: CHF 356.7 million or 56.4 %). With sales of CHF 134.7 million, or 27.4 % of total sales (previous year: CHF 181.3 million or 28.6 %), the percentage of sales generated in North America also declined. Sales in Asia decreased to CHF 82.9 million, thus increasing this region's share to 16.8 % (previous year: CHF 94.7 million or 15.0 %). Sales in Switzerland amounted to CHF 5.7 million or about one percent.

Key cost items

Material is by far the largest cost component for Feintool, whereby material costs also include costs for external processing of parts such as heat-treating or coating. In the reporting year, the material-to-sales ratio decreased from 46.9 % to 44.2 % – taking changes in inventories into account – and the cost of materials totaled CHF 217.5 million (previous year: CHF 296.8 million). The reporting year was marked by extremely volatile steel prices. Over the course of the year, steel prices fell, in some cases significantly, before rising sharply again towards the end of the year. 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. Changes in the product mix and efficiency improvements in the production process ultimately caused the decrease in the material-to-sales ratio.

Labor costs – excluding one-off effects – totaled CHF 159.0 million (previous year: 194.4 million). Significantly lower sales and massive fluctuations in capacity utilization caused an increase in labor costs as a percentage of sales from 30.7 % to 32.3 %. Short-time work arrangements at all of our European plants, furloughs and layoffs in North America helped to make labor costs more flexible. That said, most of the staff-related measures only take effect after a certain period of time has passed (due to notice periods, severance payments, etc.). It also proved impossible to reduce indirect costs to the same extent as the decline in sales, resulting in an increase from 14.0 % to 16.1 % of sales. In addition, new employees were also hired at plants with many new products. Overall, the company was unable to fully compensate for the negative effects experienced in the first half of the year during the second half.

In the System Parts segment, labor costs decreased by CHF 31.1 million to CHF 135.0 million. The ratio of labor costs to sales rose from 28.9 % to 29.1 % in the reporting period. Efficiency improvements, particularly at the newer plants in China and at the Oelsnitz plant, had a significant positive impact. The setup of a new plant in the Czech Republic continues to have a disproportionate impact on labor costs. Overall, labor costs were kept almost constant in proportion to sales – despite a massive decline in sales.

In the Fineblanking Technology segment, labor costs fell by CHF 4.1 million to CHF 16.6 million. As a percentage of net sales, labor costs increased significantly from 27.7 % to 37.5 %. The massive sales decline is the main reason for this increase. In this technology-driven segment, it was much harder to make labor costs more flexible than in the parts business. In addition, Feintool intensified its R&D activities, particularly with regard to the production of metallic bipolar plates for fuel cells.

Thanks to extensive cost-cutting measures, other operating expenses fell by CHF 11.7 million to CHF 66.5 million. As a percentage of sales, however, this figure rose slightly to 13.5 % (previous year: 12.4 %). Many components of operating expenses, such as lease payments or IT expenses, do not vary substantially in relation to sales. Other operating income decreased again slightly to CHF 1.3 million. In the reporting period, Feintool sold a property no longer used for operational purposes, resulting in the loss of the corresponding rental income beginning in August.

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

Operating earnings before interest, taxes, depreciation, and amortization (EBITDA) fell significantly by CHF 14.4 million, equal to 21.3 %, to CHF 53.2 million in the reporting period. This figure includes a negative currency effect of CHF 2.9 million. At 10.8 %, the EBITDA margin for the financial year stood slightly higher than in the previous year. The company was able to compensate for the significant decline in sales resulting from the coronavirus-related global economic slowdown on the cost side. Taking one-off effects into account, operating earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled CHF 59.5 million, corresponding to an EBITDA margin of 12.1 %.

Depreciation and impairment

Depreciation and amortization increased significantly in the reporting period, namely by 3.0 % to CHF 50.3 million, caused by the significant capital expenditures in previous years. Relative to sales, amortization/depreciation rose from 7.7 % to 10.2 %. At CHF 43.3 million, capital expenditures stood slightly below depreciation/amortization for the first time in several years. Due to overcapacities as a result of the global economic slowdown at two European manufacturing sites, an additional one-off impairment loss of CHF 5.9 million was recognized in the reporting period.

Operating profit (EBIT)

Feintool generated operating earnings before interest and taxes (EBIT) of CHF 3.0 million (previous year: CHF 18.9 million). The negative currency effect at the EBIT level amounted to CHF 0.8 million. The company succeeded in bringing the ratio of costs to sales in line down to the EBITDA level, but it is not possible to influence depreciation and amortization in the short term. Feintool's highly capital-intensive business model inevitably increases the volatility of its operating earnings as a result of largely fixed depreciation and amortization. As a result, the EBIT margin stood at only 0.6 % (previous year: 3.0 %). Taking one-off effects into account, operating earnings before interest and taxes (EBIT) totaled CHF 3.3 million, corresponding to an EBIT margin of 0.7 %.

Operating earnings generated by the System Parts segment fell by CHF 6.5 million, or 27.9 %, to CHF 16.7 million (previous year: CHF 23.2 million). The reason for this was the massive sales decline. Despite significant efficiency improvements and cost-saving measures, it was only possible to partially compensate for the shortfall in gross profit. Thanks to the cost-cutting measures, however, the EBIT margin in the parts business fell by only 0.4 % to 3.6 %.

Thanks to efficiency improvements, the European plants recorded an increase in EBIT to CHF 7.4 million despite a significant sales decline, and made the largest contribution to the result in the reporting period. The American plants contributed an EBIT of CHF 6.4 million to the total result. In Asia, EBIT rose to CHF 3.0 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 a loss of CHF 4.9 million (previous year: EBIT of CHF 0.7 million). Research expenses were similar to the previous year, coming in at CHF 4.4 million. Activities in this area will continue unchanged – as an investment in the future – despite the difficult environment.

The nonoperating units produced costs of CHF 9.0 million (previous year: CHF 6.5 million). On the one hand, isolated additional expenses were incurred related to the pandemic (e.g. the development of an improved IT infrastructure), on the other hand, an impairment loss of CHF 0.7 million was recognized on a property not used for operational purposes. In addition, rental income was reduced by the sale of a property in the summer of the reporting period.

Financial result

The net financial result of CHF -5.3 million increased significantly year over year (previous year: CHF -3.7 million). Adjusted for currency effects, the negative net financial result increased by CHF 0.6 million to CHF -4.8 million. Despite higher average net debt, interest expenses increased only slightly. Other financing costs increased significantly in connection with the various financing arrangements and the temporary suspension of covenants on the syndicated loan. The high volatility in various currencies led to currency losses of CHF 0.5 million in the reporting period (previous year: currency gains of 0.6 million). As a result, net debt at the end of the reporting period stood at CHF 146.9 million, CHF 6.1 million higher than at the end of the previous period (CHF 140.8 million). The ratio of net debt to EBITDA increased to 2.8× (previous year: 2.1×) as a result of the significantly lower EBITDA and the slight increase in net debt. Including one-off effects, this figure stands at 2.5×. This means that the company has met all of the covenants, i.e. both the renegotiated and the original covenants, in all of its loan agreements as of December 31, 2020.

Taxes
Tax expenses for the Feintool companies totaled CHF 2.0 million. On the one hand, many Feintool companies achieved solid results, which led to a tax burden. On the other hand, some companies suffered losses as a result of the sharp decline in sales (particularly in the Czech Republic, Switzerland, and China). In countries where loss carryforwards expire relatively quickly, these losses are not capitalized. As in previous years, this affected the effective tax expense by CHF 2.4 million (previous year: CHF 1.8 million). This results in a situation in which Feintool is reporting a tax expense even though earnings before taxes is negative at CHF 2.0 million.

Net income
All in all, including the one-off effects, this resulted in a consolidated loss of CHF 3.9 million (previous year: consolidated profit of CHF 10.7 million). Excluding one-off effects, the consolidated loss would have been CHF 0.3 million higher.

ADDITIONAL INFORMATION ON THE SECOND HALF OF 2020

The COVID-19 pandemic had a massive impact on the first half of 2020 starting in February/March. In the second quarter, Feintool took a number of measures to safeguard liquidity and adjust its cost structure to the new circumstances. Together with the market recovery – albeit still below the previous year's level – this painted a much brighter picture for the second half of 2020. This section provides an overview of Feintool's business in the second half of the year with the aim of presenting Feintool's current situation. The same period in the previous year is used as a basis for comparison. The one-off effects are not taken into account.

Net sales
Consolidated sales in the second half of the year fell by 7.0 % in the reporting currency to CHF 279.7 million (previous year: CHF 300.8 million). Currency effects had a negative impact on sales in this period of CHF 10.8 million, equal to 3.6 %. As a result, Feintool recorded an organic sales decline of 3.4 % in local currency. In this context, the two segments performed differently. The press and tool business also contracted significantly in the second half of the year – adjusted for currency effects – by 32.0 %, but the parts business declined by only 2.8 % in the same period in the reporting currency. In local currency terms, the segment actually recorded slight growth of 1.1 %. The System Parts segment generated 95.4 % of third-party sales in the second half of the year.

Thanks to the market recovery, sales generated by the System Parts segment only declined by 2.8 % to CHF 266.8 million (previous year: CHF 274.5 million). Negative currency effects totaled CHF 10.6 million. In local currency, sales in the segment thus increased by 1.1 %. In Europe, parts sales declined by 0.5 % in local currency, from CHF 155.5 million to CHF 152.2 million. Business in North America shrank by only 0.8 % in local currency to CHF 74.6 million. Significantly lower steel prices, which Feintool passes on to its customers, are included in this sales decline, meaning that in quantitative terms the company also achieved a slight increase in sales *in the United States in the second half of the year. Sales in Asia increased – adjusted for currency effects – by 10.5 % to CHF 42.0 million. While sales in Japan decreased by 14.2 %, the two plants in China were able to increase sales by more than 20 % each. On the one hand, the Chinese market was the fastest in the world to recover from the COVID-19 pandemic, and on the other hand, several new products are being launched that had an additional positive impact.*

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

Operating earnings before interest, taxes, depreciation, and amortization (EBITDA) increased significantly by CHF 12.4 million, equal to 37.8 %, to a total of CHF 45.2 million in the second half of the year compared to the same period last year. At 16.2 %, the EBITDA margin in the second half of the year was significantly higher than in the same period last year (10.9 %). The slight sales decline due to the economic slowdown was more than compensated for on the cost side.

Earnings before interest and taxes (EBIT)

Feintool generated operating earnings before interest and taxes (EBIT) of CHF 20.4 million in the second half of 2020 (same period in the previous year: CHF 8.3 million). Thus, the EBIT margin stood at 7.3 % (same period in the previous year: 2.8 %). This solid result is due, on the one hand, to the market recovery and, on the other, to rigorous cost-cutting measures. These savings are not permanent in certain areas, so that a slightly higher cost base is to be expected in the future.

Operating earnings generated by the System Parts segment increased by CHF 15.2 million to CHF 26.1 million in the second half of 2020, which is more than double the EBIT generated by the segment in the same period last year. Significant efficiency improvements and rigorous cost-saving measures more than compensated for the slight decline in sales. Thanks to these measures, the EBIT margin in the parts business increased by 5.8 % to 9.8 %.

The Fineblanking Technology segment suffered a loss of CHF 1.3 million in the second half of 2020 (same period in the previous year: a loss of CHF 0.6 million).

Net income

Feintool thus doubled its consolidated net income in the second half of the year to CHF 13.6 million (same period in the previous year: CHF 6.0 million). Accordingly, the profit margin stood at 4.9 % (same period in the previous year: 2.0 %).

CONSOLIDATED BALANCE SHEET

Total assets decreased by CHF 29.2 million, equal to 4.1 %, to a total of CHF 677.1 million (previous year: CHF 706.3 million). The sharp decline in the value of the US dollar relative to the reporting currency had a significant impact on most items.

Current assets decreased slightly year over year from CHF 233.1 million to CHF 231.9 million. The individual items developed quite differently in some cases, however. Receivables decreased only slightly to CHF 82.1 million (previous year: CHF 85.0 million) due to strong performance toward the end of the year. As a percentage of sales, receivables again increased significantly from 13.4 % to 16.7 %. The low level of sales in the first half of the year had a major impact on this figure. The age structure of receivables improved slightly in the reporting period, with 20.1 % being overdue in the reporting period (previous year: 24.2 %), of which 43.8 % were overdue by less than 30 days. Inventories and contract assets decreased by CHF 16.2 million to CHF 78.0 million. Prepaid expenses and accrued income increased to CHF 8.2 million. Cash and cash equivalents increased by CHF 17.8 million to CHF 61.3 million due to numerous payments received in the closing days of the reporting period.

Operative net working capital decreased slightly by CHF 2.2 million to CHF 68.9 million and thus amounted to 14.0 % of sales (previous year: 11.2 %). The slump in sales in the first half of the year had a significant negative impact on this key figure. Due to the strong second half of the year, the absolute figure is solid and in line with the previous year's level. The significant decrease in inventories had the strongest effect.

Non-current assets decreased significantly by CHF 27.9 million, equal to 5.9 %, to a total of CHF 445.2 million. In operational terms, the strongest impact came from property, plant, and equipment, which declined by 6.4 % to CHF 334.9 million in spite of another high level of capital expenditures totaling 43.3 million. Impairment losses of CHF 5.9 million on assets whose capacities are no longer required due to insourcing of production steps by customers exacerbated this decline. Intangible assets decreased by CHF 4.4 million to CHF 91.5 million. All of the company's intangible assets, such as capitalized research and development costs, capitalized goodwill (from acquisitions), land use rights, or capitalized software, contributed to this decline. Financial assets increased slightly and now total CHF 4.2 million, the majority of which are customer tools used in the group's own production departments and amortized by the customer over their entire useful life. Deferred tax assets decreased by CHF 2.4 million to CHF 14.6 million.

On the liabilities side, debt decreased by CHF 13.2 million to CHF 383.2 million. Trade payables, tax liabilities, and other liabilities decreased by CHF 14.7 million and totaled CHF 68.6 million. Deferred income, current and non-current provisions, and deferred tax liabilities fell by CHF 7.4 million to CHF 56.3 million. Liabilities for employee benefits (IAS 19) decreased significantly by CHF 15.0 million to CHF 50.1 million. The decision to reduce the pension conversion rates in the Swiss pension fund had a positive impact of CHF 5.4 million. In addition, the Swiss companies paid a restructuring contribution of CHF 4.8 million to the pension fund. The smaller workforce due to the decline in sales also had a positive impact (CHF 0.8 million). The revaluation of employee benefits recognized directly in equity had a positive impact of CHF 4.1 million.

Interest-bearing debt increased by CHF 24.0 million to CHF 208.2 million. CHF 67.0 million of the interest-bearing liabilities were of a short-term nature, whereby the syndicated loan in the amount of CHF 63.7 million is presented as long-term in line with economic conditions. A promissory note loan in the amount of EUR 25.0 million matures in July 2021, which caused the increase in current interest-bearing debt. Noncurrent interest-bearing liabilities totaled CHF 141.2 million for the reporting period. This includes a COVID-19 loan from an American bank in the amount of CHF 7.4 million. Taking available cash and cash equivalents into account, net debt increased slightly by CHF 6.1 million to CHF 146.9 million (previous year: CHF 140.8 million). With CHF 126.9 million in cash and cash equivalents and available, confirmed lines of credit, Feintool has considerable financial flexibility (previous year: CHF 89.0 million).

Shareholder's equity stood at CHF 293.9 million on December 31, 2020 (previous year: CHF 309.9 million). The equity ratio decreased slightly from 43.9 % to 43.4 %. The Statement of Changes in Equity shows that the consolidated loss from operating business reduced shareholders' equity by CHF 3.9 million. Currency translation differences of CHF 15.4 million had a strong negative impact, whereas the revaluation of employee benefit obligations had a positive impact of CHF 4.1 million. The other items had a slightly negative effect overall (CHF 0.8 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities totaled CHF 37.8 million, less than half of the previous year's figure due to the significantly lower result. In contrast to the previous year, net working capital increased by CHF 3.7 million in the reporting period (previous year: decrease of CHF 13.9 million), in particular due to strong sales at the end of the year. At CHF 40.3 million (previous year: CHF 51.8 million), cash flow from investing activities decreased again by 22.2 % compared to the previous year. This amount primarily flowed into property, plant, and equipment. Overall, this resulted in a negative operating cash flow of CHF 2.4 million (previous year: cash inflow of CHF 30.2 million). Feintool was barely able to finance its capital expenditures from operating cash flow in the reporting period.

EMPLOYEES

The number of employees (excluding trainees) decreased by 71 to 2 570 in the financial year. In addition, 100 young people (previous year: 91) are currently with our company as trainees. The System Parts segment had 2 385 employees, which corresponds to a decline of 57 employees. The plants in China hired 67 new employees during the reporting period as a result of new projects. In the United States, the two plants employed 11 more people at the end of the year than 12 months earlier. At the height of the COVID-19 pandemic in the second quarter, the U.S. companies employed a total of about 430 fewer people than at the end of the year. The number of employees in Europe and Japan decreased by 134 due to the market slowdown. The Fineblanking Technology segment had 152 employees at the end of the year (-18 compared to the previous year). A total of 33 employees (+3) work in units that are not directly involved in the operating business. Feintool had 1 558 employees in Europe at the end of 2020, equal to 60 % of the total workforce, and 130 fewer than in the previous year. Of these, 376 were employed in Switzerland (previous year: 404). In the United States, the number of employees rose by nine to 555 (equal to an increase of 22 %), while in Asia the number increased by 51 to 457 (equal to an increase of 18 %).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2020 financial year (January 1 to December 31, 2020)

		2020		2019	
	Note	in CHF 1 000	in %	in CHF 1 000	in %
Net sales	**2**	**491 965**	**100.0**	**632 684**	**100.0**
Change in finished and semi-finished goods and work in progress		-9 358		-3 627	
Capitalized self-generated assets	3	3 043		2 358	
Material expenses		-208 155		-293 187	
Personnel expenses [1]	4	-152 731		-194 404	
Other operating expenses	5	-66 534		-78 203	
Other operating income	6	1 269		2 040	
Earnings before interest, taxes, depreciation and amortization (EBITDA) [2]		**59 499**	**12.1**	**67 661**	**10.7**
Depreciation and amortization	16, 17	-50 254		-48 801	
Impairment of tangible assets [3]	16	-5 932		–	
Operating profit (EBIT) [4]		**3 313**	**0.7**	**18 860**	**3.0**
Financial expenses	7	-16 270		-24 804	
Financial income	8	11 002		21 140	
Earnings before taxes		**-1 955**	**-0.4**	**15 196**	**2.4**
Income taxes	9	-1 994		-4 545	
Net income attributable to Feintool Holding shareholders		**-3 949**	**-0.8**	**10 651**	**1.7**

[1] In the 2020 financial year, the company agreed to a change in benefits in the Swiss pension plan and a curtailment due to the staff reduction measures, which had a positive one-off effect of kCHF 6 253 on comprehensive income for the period in accordance with IAS 19. In addition, please refer to sections 1 and 4 of the Notes.

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

[3] Due to capacities no longer required at two plants, an impairment loss on manufacturing equipment totaling kCHF 5 932 was recognized in the 2020 financial year. In addition, please refer to section 1, footnote 3 of the Notes.

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

	Note	2020 in CHF 1 000	in %	2019 in CHF 1 000	in %
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences		-15 350		-8 329	
Income taxes on recycable items		-798		583	
Items that may not be reclassified to profit or loss					
Reassessment of net defined benefit liability (asset)		5 141		-5 910	
Income taxes on non recycable items		-1 077		1 478	
Total other comprehensive income		**-12 084**		**-12 178**	
Total comprehensive income attributable to Feintool Holding shareholders		**-16 033**		**-1 527**	
Net income attributable to Feintool Holding shareholders		-3 949		10 651	
Total comprehensive income attributable to Feintool Holding shareholders		-16 033		-1 527	
Basic earnings per share (in CHF)	11	-0.80		2.17	
Diluted earnings per share (in CHF)	11	-0.80		2.17	
Number of employees as of December 31					
Number of employees excl. 100 (previous year 91) trainees	**4**	**2 570**		**2 641**	

CONSOLIDATED BALANCE SHEET

for the 2020 financial year (as at December 31, 2020)

	Note	12/31/2020 in CHF 1 000	in %	12/31/2019 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		61 276		43 476	
Trade and other receivables	12	82 107		84 980	
Tax receivables		2 301		4 422	
Inventories	13	69 515		85 239	
Net contract assets	14	8 441		8 918	
Prepaid expenses and accrued income	15	8 225		6 109	
Total current assets		**231 865**	**34.2**	**233 144**	**33.0**
Non-current assets					
Property, plant and equipment	16	334 857		357 892	
Intangible assets	17	91 462		95 843	
Financial assets	18	4 234		2 339	
Deferred tax assets	10	14 633		17 061	
Total non-current assets		**445 186**	**65.8**	**473 135**	**67.0**
TOTAL ASSETS		**677 051**	**100.0**	**706 279**	**100.0**
LIABILITIES					
Current liabilities					
Financial liabilities	19	66 990		39 919	
Trade and other payables	20	64 742		82 605	
Tax liabilities		3 852		714	
Accrued expenses and deferred income	21	30 813		33 603	
Current provisions	22	6 179		8 746	
Total current liabilities		**172 576**	**25.5**	**165 587**	**23.4**
Non-current liabilities					
Financial liabilities	19	141 225		144 322	
Non-current provisions	22	2 388		2 437	
Deferred tax liabilities	10	16 878		18 921	
Employee benefit liabilities	23	50 099		65 111	
Total non-current liabilities		**210 590**	**31.1**	**230 791**	**32.6**
Total liabilities		**383 166**	**56.6**	**396 378**	**56.1**
Equity					
Share capital	24	49 148		49 148	
Capital reserves		116 788		117 008	
Retained earnings		182 720		183 403	
Treasury shares		-615		-852	
Translation differences		-54 156		-38 806	
Total equity		**293 885**	**43.4**	**309 901**	**43.9**
TOTAL EQUITY AND LIABILITIES		**677 051**	**100.0**	**706 279**	**100.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2020 financial year (January 1 to December 31, 2020)

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Retained earnings	Translation differences	Total equity
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 [1]	–	–	-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**
January 1, 2020	**49 148**	**-852**	**117 008**	**183 403**	**-38 806**	**309 901**
Translation differences	–	–	–	–	-15 350	-15 350
Reassessment of net defined benefit liability (asset), net of tax	–	–	–	4 064	–	4 064
Other line items	–	–	–	-798	–	-798
Total other comprehensive income	**–**	**–**	**–**	**3 266**	**-15 350**	**-12 084**
Net income attributable to Feintool Holding shareholders	–	–	–	-3 949	–	-3 949
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**-683**	**-15 350**	**-16 033**
Dividend [3]	–	–	–	–	–	–
Purchase/(sale) of treasury shares	–	-635	–	–	–	-635
Share-based management remuneration [2]	–	872	-220		–	652
December 31, 2020	**49 148**	**-615**	**116 788**	**182 720**	**-54 156**	**293 885**

[1] 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.

[2] The share based management remuneration involves payment of part of the salary in shares. See section 25 of the Notes.

[3] Contrary to the originally planned dividend distribution of CHF 1.00 per registered share, no dividend was distributed from the earnings in the financial year that ended on December 31, 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 2020 financial year (January 1 to December 31, 2020)

	Note	2020 in CHF 1 000	2019 in CHF 1 000
Net income of the Feintool Group		-3 949	10 651
Depreciation, amortization and impairment	16, 17	56 186	48 801
(Gain)/loss on disposal of property, plant and equipment	5, 6	140	159
Increase/(decrease) in provisions and valuation allowances [1]		-7 922	615
Restructuring contribution to pension plan	23	-4 800	–
Other non-cash changes		-147	3 363
Income taxes	9	1 994	4 545
Cash flows from operating activities before change in net working capital (NWC)		**41 502**	**68 134**
Increase/decrease in:			
Accounts receivables	12	-62	14 781
Inventories and net contract assets	13, 14	12 235	2 494
Prepaid and accrued expenses and income	15, 21	-4 148	-5 190
Accounts payables	20	-15 648	12 319
Other net working capital (NWC)		4 483	5 995
Income taxes paid		-521	-16 532
Cash flows from operating activities		**37 841**	**82 001**
Investments in property, plant and equipment	16	-40 513	-50 438
Disposals of property, plant and equipment	16	2 241	1 224
Investments in intangible assets	17	-1 607	-2 851
Disposals of intangible assets	17	83	4
Increase in financial assets		-761	-563
Decrease in financial assets		282	872
Cash flows from investing activities		**-40 275**	**-51 752**
Free cash flow [2]		**-2 434**	**30 249**

[1] Provisions and valuation allowances 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	2020 in CHF 1 000	2019 in CHF 1 000
Dividends paid		–	-9 805
Purchase of treasury shares		-635	-276
Borrowing of interest-bearing liabilities		67 958	13 644
Repayment of financial lease liabilities		-15 854	-14 674
Repayment of interest-bearing liabilities		-27 051	-2 444
Cash flows from financing activities		**24 418**	**-13 555**
Translation differences Cash and cash equivalents		-4 184	-4 090
Increase/(decrease) in cash and cash equivalents		**17 800**	**12 604**
Cash and cash equivalents at the beginning of the period		43 476	30 872
Cash and cash equivalents at the end of the period		61 276	43 476
Interest paid		-3 696	-2 906
Interest received		50	139

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, 2020

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, 2020, 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 2 570. At its various locations, Feintool provides training for 100 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, 2020, 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.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization (WHO) declared an outbreak of the coronavirus (SARS-CoV-2) a pandemic due to its rapid global spread. The governments of many countries adopted far-reaching and drastic measures to contain or slow down the spread of the pandemic.

Feintool introduced extensive precautionary measures with the aim of providing its employees safe working conditions while at the same time ensuring that the company could continue to supply its customers. Teams at both the local and global level are constantly adapting the measures to the changing needs and regulations imposed by the various authorities.

With very few exceptions, Feintool employees directly affected by COVID-19 were fortunate to only suffer mildly from the disease. Absences due to COVID-19 infections or associated quarantine measures did not have a significant impact on performance.

Government orders in China extended the Chinese "New Year holiday" from one to about four weeks. Disruptions in the supply chains and massive restrictions on people's freedom of movement meant that it was virtually impossible to resume production for a further two to three weeks. All in all, production in China was interrupted for a good six weeks, but recovered relatively quickly thereafter.

"Stay-at-home" orders imposed by the US states of Ohio and Tennessee forced Feintool to largely halt production in the United States in April and May, although the market rebounded significantly from June onwards. Bottlenecks in the supply of steel, however, continued to affect production and increased costs considerably.

In Europe, demand collapsed completely as a result of all major automakers suspending production, which indirectly led to Feintool also temporarily halting production in Europe. The market in Europe also recovered in the second half of the year, albeit at a much slower pace than in the other regions. Fortunately, China's exports support European automotive production.

Travel restrictions or travel bans that are still in place make it difficult – due to a lack of support from other plants – to ramp up production of new products and – due to a lack of service technicians – to maintain and repair existing production facilities.

Based on the situation at the end of March 2020, the Board of Directors of Feintool International Holding AG decided to propose to the General Meeting that no dividend be distributed for the 2019 financial year in order to preserve liquidity.

During the month of March, it also became apparent that Feintool was likely to breach individual financial covenants in its financial agreements over the course of 2020. In June, Feintool signed an amendment to the agreement with six banks that essentially increased the credit line specified in the relevant agreement by CHF 30 million to CHF 120 million and suspends the critical covenants until December 30, 2021. Feintool is convinced that this financing will safeguard its liquidity over the long term. While the company actually breached the "original" covenants as of June 30, 2020, it once again complied with their terms as of December 31, 2020, due to the significantly improved results achieved in the second half of the year.

In connection with the global decline in production as a result of the COVID-19 pandemic, the automo-tive industry is suffering from overcapacities in many areas. This led some customers to insource work processes. For this reason, Feintool recognized an impairment loss of CHF 5.9 million on certain property, plant, and equipment at two European plants due to underutilization of production capaci-ties. As of December 31, 2020, there is no need to recognize any further impairments.

In some countries, Feintool has employee benefit obligations that include defined benefit components. The COVID-19 pandemic led to higher volatility and significantly lower prices on the stock and bond markets in the first half of the year, which temporarily had a negative impact on the employee benefit obligations. Prices recovered in the second half of the year, however, meaning that in this respect, the COVID-19 pandemic did not have a significant impact on employee benefit obligations for the year as a whole. The short-time working arrangements introduced in various countries had only an immaterial effect on pension obligations.

As of June 30, 2020, Feintool received a loan of USD 8.4 million under the PPP program in the United States to mitigate the impact of the COVID-19 pandemic. Under certain circumstances, this loan may not have to be repaid in full. Feintool is currently unable to assess whether and to what extent it can make use of this financial aid. In addition, Feintool received government reimbursements for short-time work totaling CHF 7.5 million and very modest support for research and development expenses (CHF 0.1 million) in various countries. The Chinese government has adopted various measures to stimulate the economy (e.g., lower energy prices, reduced social security contributions by employ-ers), but the effects cannot be accurately calculated or fully attributed to the COVID-19 pandemic. In addition, many countries allowed companies to defer their tax payments.

Feintool's Board of Directors and Executive Board are convinced that they have taken appropriate measures to mitigate the impact of the COVID-19 pandemic as far as possible and to safeguard the company's future viability as a going concern.

FINANCIAL COVENANTS

Further information on financial covenants is provided in section 19 of the Notes. As of December, 31st 2020, all the covenants had been met.

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

Property, plant and equipment are stated 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 section 17.2 of the Notes.

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 in the next two years.
Further information is given in sections 9 and 10 of the Notes.

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 section 17.1 of the Notes.

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 section 22 of the Notes. 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 section 23 of the Notes.

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 section 19 of the Notes.

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. In the Financial Year 2020, Feintool adopted the following new Standards and Interpretations:

- Amendments to References to the Conceptual Framework in IFRS Standards (January 1, 2020)
- IFRS 3 – Amendments Definition of a Business (January 1, 2020)
- IAS 1 and 8 – Amendments Definition of material (January 1, 2020)
- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (January 1, 2020)
- IFRS 16 – COVID-19-Related Rent Concessions (June 1, 2020)

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

NEW ACCOUNTING REQUIREMENTS

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

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (January 1, 2021)
- IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (January 1, 2022)
- Annual Improvements to IFRS Standards 2018-2020 (January 1, 2022)
- IAS 16 – Property, Plant and Equipment (January 1, 2022)
- IFRS 3 – Reference to the Conceptual Framework (January 1, 2022)
- IFRS 17 – Insurance Contracts (January 1, 2021)
- IAS 1 – Classification of Liabilities as Current or Non-current (January 1, 2022)

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 in section 6 of the Notes to the Financial Statement of Feintool International Holding AG.

On May 9, 2020, the company Feintool (Chongquing) Technology Co. Ltd. which was placed in liquidation on January 1, 2015, has been removed from the commercial register.

On November 22, 2019, Jela Immobilien GmbH purchased a 90 % interest in Vireo Verwaltungsgesellschaft mbH from HL Holding AG. On May 6, 2020, Jela Immobilien GmbH acquired the remaining 10 % interest in Vireo Verwaltungsgesellschaft mbH from HL Holding AG. Effective October 16, 2020, Jela Immobilien GmbH (absorbing entity) and Vireo Verwaltungsgesellschaft mbH (absorbed entity) were merged.

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.

CURRENCY TRANSLATION

The functional currency of the consolidated entities is the currency of their local economic environment. Transactions in foreign currencies are translated at the respective daily rate. Monetary assets and liabilities in foreign currency are converted into the functional currency at the rate of exchange prevailing on the balance sheet date. In principle, the exchange translation differences are reported in net financial income/finance costs. Non-monetary assets and liabilities at historical cost are translated at the exchange rate applicable at the time of the transaction.

On consolidation, the balance sheet amounts of foreign subsidiaries are translated at closing rates, equity at historical rates and the amounts in the statements of comprehensive income and cash flows at average rates for the year. Exchange differences arising from translation differences in balance sheets and income statements are directly recognized in other comprehensive income and reported under shareholders' equity. When a Group company is sold or liquidated, or when control over the company is lost, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.

Foreign currency gains on certain equity-type loans that form part of the net investment in a company are recognized in the statement of comprehensive income (other comprehensive income), provided settlement of these loans is neither planned nor likely to occur in the near future.

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

		2020		2019	
		Closing rate	Average rate	Closing rate	Average rate
China	CNY 100	13.4471	13.5168	13.8432	14.2173
Eurozone	EUR 1	1.0802	1.0717	1.0854	1.1113
Japan	JPY 100	0.8540	0.8890	0.8901	0.9108
Czech Republic	CZK 100	4.1163	4.0388	4.2719	4.3312
USA	USD 1	0.8803	0.9316	0.9662	0.9930

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.

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 16 203, the Feintool Group's European subsidiaries sold receivables valued at kCHF 9 034 (previous year kCHF 15 593) as of December 31, 2020, of which kCHF 3 787 (previous year 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 172, 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 in chapter "Net Sales".

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. Funds that are not related to a specific asset are capitalized and amortized on a straight-line basis over the period of the associated stipulations/conditions. 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 section 5, 16 and 19 of the Notes.

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.

Material expenses

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 2020 in CHF 1 000	Fineblanking Technology	System Parts	Total segments	Finance/ Other	Eliminations	Total Group
Net sales	44 176	464 285	508 461	–	-16 496	491 965
- Intercompany income	-12 603	-3 893	-16 496	–	16 496	–
Total net sales – Group [1]	**31 573**	**460 392**	**491 965**	**–**	**–**	**491 965**
EBITDA before extraordinary effects	**-3 270**	**64 570**	**61 300**	**-6 002**	**-2 052**	**53 245**
One-off effects IAS 19 in the financial year [2]	2 189	3 314	5 503	750	–	6 253
EBITDA after extraordinary effects	**-1 081**	**67 884**	**66 803**	**-5 252**	**-2 052**	**59 499**
Depreciation and amortization	-1 668	-47 822	-49 490	-2 986	2 222	-50 254
Impairment of tangible assets [3]	–	-5 932	-5 932	–	–	-5 932
Operating profit (EBIT) before amendments	**-4 938**	**16 748**	**11 810**	**-8 988**	**170**	**2 992**
One-off effects in the financial year [2] [3]	2 189	-2 618	-429	750	–	321
Operating profit (EBIT) after amendments	**-2 749**	**14 130**	**11 381**	**-8 238**	**170**	**3 313**
Financial expenses						-16 270
Financial income						11 002
Income taxes						-1 994
Net income attributable to Feintool Holding shareholders						**-3 949**
Assets	**56 034**	**590 728**	**646 762**	**256 213**	**-225 924**	**677 051**
Net working capital [4]	**13 634**	**56 664**	**70 298**	**9 409**	**-10 813**	**68 894**
Investments in property, plant and equipment/intangible assets (incl. leases)	**1 181**	**44 689**	**45 870**	**1 459**	**-3 987**	**43 342**
Number of employees	**152**	**2 385**	**2 537**	**33**	**–**	**2 570**

1.2 Geographical areas 2020	Switzerland	Europe excl. Switzerland	America	Asia	Total
Total net sales – Group [5]	**5 706**	**268 687**	**134 706**	**82 866**	**491 965**
thereof Germany		186 429			
thereof USA			96 795		
thereof Japan				26 917	
thereof China				53 187	
Fixed and intangible assets	**46 692**	**225 635**	**66 818**	**87 174**	**426 319**

1.3 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**
- Intercompany income	-11 968	-3 987	**-15 955**	–	15 955	**–**
Total net sales – Group [1]	**62 757**	**569 927**	632 684	**–**	**–**	632 684
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	**251 969**	**-232 550**	706 279
Net working capital [4]	**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**	2 611	**30**	**–**	2 641

1.4 Geographical areas 2019	Switzerland	Europe excl. Switzerland	America	Asia	**Total**
Total net sales – Group [5]	**6 929**	**349 793**	**181 259**	**94 703**	632 684
thereof Germany		243 042			
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 2020 and 2019 financial years.

1) Total Net Sales include “Sales from products transferred over time” about CHF 14.1 million (prior year CHF 33.7 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) In the 2020 financial year, the company agreed to a change in benefits in the Swiss pension plan and a curtailment due to the staff reduction measures, which had a positive one-off effect of kCHF 6 253 on comprehensive income for the period in accordance with IAS 19. In addition, please refer to section 4 of the Notes.

3) Due to capacities no longer required at two plants, an impairment loss on manufacturing equipment totaling kCHF 5 932 million was recognized in the 2020 financial year. In addition, please refer to sections 16.2 and 16.3 of the Notes.

Segment reporting is in accordance with internal reporting, and the one-time effects demonstrated have thus been factored into the group performance assessment by the Board of Directors and the management.

4) 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”.

5) Net sales is allocated to countries based on the customer’s domicile.

The following explanations on the segment information apply to the financial years 2020 and 2019.

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.

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

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 18.3 % (previous year 18.4 %) of consolidated sales with one customer. Income is generated in all segments. With the other customers, the share is less than 12.1 % (previous year 12.3 %) in each case.

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

2 NET SALES

	2020 in CHF 1 000	2019 in CHF 1 000
Gross sales [1]	492 755	639 143
Sales deductions	-790	-6 459
Total net sales	**491 965**	**632 684**

[1] Total gross sales include "sales generated over a period" of CHF 14.1 million (previous year CHF 33.7 million). These sales were generated in the Fineblanking Technology segment. For a further breakdown of sales, see Section 1.1 Segment information.

3 CAPITALIZED SELF-GENERATED ASSETS

	2020 in CHF 1 000	2019 in CHF 1 000
Self-generated presses	262	181
Self-generated tools	1 455	829
Capitalized development costs	1 307	1 302
Other capitalized self-generated assets	19	46
Capitalized self-generated assets	**3 043**	**2 358**

4 PERSONNEL EXPENSES

	2020 in CHF 1 000	2019 in CHF 1 000
Salaries and wages [1]	129 600	158 835
Social security contribution	18 464	29 022
Other personnel expenses	4 667	6 547
Total personnel expenses	**152 731**	**194 404**
of which direct personnel expenses [2] [3]	76 331	102 576
of which indirect personnel expenses [3]	76 400	91 828

[1] In the 2020 financial year, a change in benefits was adopted in the Swiss pension plan, which entails a gradual reduction in the conversion rate from 5.2 % to 4.4 %. In addition, a curtailment was implemented due to the staff reduction measures. These changes had a positive one-off effect of kCHF 5 388 and kCHF 865, respectively, on the Statement of Comprehensive Income for the financial year. The one-time effect is reported under wages and salaries. See also sections 1 and 27 in the Notes.

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

[3] With respect to the change in benefits adopted in the Swiss pension plan, kCHF 2 454 is reported under direct labor costs and kCHF 2 934 under indirect labor costs.

In the 2020 financial year, various Feintool Group companies received short-time work compensation totaling CHF 7.5 million, which was deducted directly from labor costs.
At the end of the financial year, the Feintool Group had 2 570 employees (previous year: 2 641) and 100 vocational trainees (previous year: 91).

5 OTHER OPERATING EXPENSES

	2020 in CHF 1 000	2019 in CHF 1 000
Repair and maintenance	48 700	56 886
IT costs	4 340	3 325
Rental and leasing expenses	1 290	1 676
thereof expenses for short-term leases	512	827
thereof expenses for low-value assets	448	512
thereof miscellaneous	330	337
Sales and marketing expenses	1 588	2 395
Administration and distribution expenses	6 999	10 979
Loss on the disposal of property, plant and equipment	398	362
Taxes and duties (not including income taxes)	1 163	639
Other expenses	2 056	1 941
Total other operating expenses	**66 534**	**78 203**

6 OTHER OPERATING INCOME

	2020 in CHF 1 000	2019 in CHF 1 000
Gain on the disposal of property, plant and equipment	258	203
Other income [1]	1 011	1 837
Total other operating income	**1 269**	**2 040**

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

7 FINANCIAL EXPENSES

	2020 in CHF 1 000	2019 in CHF 1 000
Interest expense	3 739	3 674
Other financial expenses [1]	1 169	771
Foreign exchange losses	11 362	20 359
Total financial expenses	**16 270**	**24 804**

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

8 FINANCIAL INCOME

	2020 in CHF 1 000	2019 in CHF 1 000
Interest income	76	139
Other financial income [1]	17	64
Foreign exchange gains	10 909	20 937
Total financial income	**11 002**	**21 140**

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

9 INCOME TAXES

9.1 Analysis of income taxes	2020 in CHF 1 000	2019 in CHF 1 000
Tax credits/charges for the reporting period	2 968	5 217
Tax credits/charges from previous years	50	-393
Deferred income taxes	-1 024	-279
Total income taxes	**1 994**	**4 545**

9.2 Analysis of tax charge	2020 in CHF 1 000	2019 in CHF 1 000
Earnings before taxes	**-1 955**	**15 196**
Weighted tax rate as % [1]	-10.6 %	26.5 %
Expected overall tax expense	**208**	**4 027**
Non tax-deductible expense	146	357
Non-taxable income	-429	-603
Unrecognized tax loss carryforwards from the current year [2]	2 337	1 774
Use of unrecognized loss carryforwards from previous years	-15	6
Recognition of previously unrecognized loss carryforwards	–	-428
Tax credits/charges from previous years	50	-393
Effect of changes in tax rates	135	-143
Reassessment of prior year	54	-329
Tax benefit on equity investments	-110	–
Other effects	-382	277
Effective income tax expense	**1 994**	**4 545**
Effective income tax expense as %	**-102.0 %**	**29.9 %**

[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. Excluding companies that recorded losses, the weighted tax rate stood at 23.5 %.

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

10 DEFERRED TAXES

10.1 Carrying amounts in CHF 1 000	12/31/2020 Deferred tax assets	12/31/2020 Deferred tax liabilities	12/31/2019 Deferred tax assets	12/31/2019 Deferred tax liabilities
Deferred taxes for temporary differences				
Current assets	3 365	729	3 618	1 470
Non-current assets	3 472	28 995	3 401	31 623
Provisions and other liabilities	2 045	774	2 359	1 157
Employee benefit plans	10 296	792	13 514	792
Loss carryforwards	9 868	–	9 322	–
Other temporary differences	–	–	969	–
Total gross values	**29 046**	**31 291**	**33 182**	**35 042**
Netting	-14 413	-14 413	-16 121	-16 121
Total carrying amounts	**14 633**	**16 878**	**17 061**	**18 921**
of which recognized in the balance sheet as deferred tax assets	14 633		17 061	
of which recognized in the balance sheet as deferred tax liabilities		16 878		18 921
Net deferred tax assets/liabilities		**2 245**		**1 860**

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.

10.2 Statement of net deferred taxes assets/liabilities	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Start of period	**-1 860**	**-4 479**
Recognition and reversal of temporary differences	1 159	136
Temporary differences arising on tax rate changes	-135	143
Temporary differences recognized directly in equity	-1 875	2 061
Translation differences	466	279
End of period	**-2 245**	**-1 860**

10.3 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.

10.4 Tax loss carryforwards	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Total tax loss carryforwards	87 557	69 476
of which recognized loss carryforwards	42 370	39 661
Total unrecognized tax loss carryforwards	**45 187**	**29 815**
of which expiring within 1 year	2 068	1 218
of which expiring in one to five years	22 337	8 969
of which expiring in more than five years	20 782	19 628
Tax effects of unrecognized tax loss carryforwards	**11 241**	**7 778**

Income taxes and information regarding the tax charge are shown in Note 9.

11 CONSOLIDATED EARNINGS PER SHARE

11.1 Average number of shares outstanding	2020 Number	2019 Number
Average number of shares outstanding	4 914 842	4 914 842
Less number of treasury shares (weighted)	-7 273	-13 313
Average number of shares outstanding – undiluted	4 907 569	4 901 529
Average number of shares outstanding – diluted	4 907 569	4 901 529

11.2 Net income Feintool Group	2020 in CHF 1 000	2019 in CHF 1 000
Net income of the Feintool Group – undiluted	-3 949	10 651
Net income of the Feintool Group – diluted	-3 949	10 651

No dilution effects were recognized in the financial year.

11.3 Earnings per share	2020 in CHF	2019 in CHF
Undiluted earnings per share	-0.80	2.17
Diluted earnings per share	-0.80	2.17

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.

12 RECEIVABLES

12.1 Trade and other receivables	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Trade receivables	63 916	66 769
Valuation allowances	-810	-976
Total trade receivables (net)	**63 106**	**65 793**
Bills receivable	5 211	5 798
Outstanding VAT credits	5 414	9 183
Receivables from ABS program [1]	3 787	1 667
Other receivables	4 589	2 539
Total trade and other receivables	**82 107**	**84 980**

[1] As of December 31, 2020, trade receivables with a value of kCHF 15 743 were sold under factoring and ABS programs (previous year kCHF 24 854).

12.2 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
12/31/2020							
Trade receivables		63 916	51 054	5 633	3 304	2 008	1 917
Valuation allowances		-810	-1	-46	-121	-62	-580
Total receivables (net)		**63 106**					
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**					

12.3 Valuation allowance on receivables	2020 in CHF 1 000	2019 in CHF 1 000
Start of period	**-976**	**-1 661**
Recognized	-213	-512
Reversed	-56	1 034
Used	435	163
End of period	**-810**	**-976**

13 INVENTORIES

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Raw material	35 750	37 834
Finished and semi-finished goods	44 209	51 416
Work in progress	11 887	18 040
Valuation allowances on inventories	-22 331	-22 051
Total inventories	**69 515**	**85 239**

14 CONTRACT ASSETS

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Contract assets	10 793	16 283
Prepayments received	-1 902	-7 218
Valuation allowances on construction contracts	-450	-147
Total net contract assets	**8 441**	**8 918**

The gross margin recorded under contract assets as at the closing date amounted to 37.4 % (previous year 35.0 %).

15 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Prepaid expenses for customer orders [1)]	2 480	1 676
Issue costs of promissory note and syndicated loan	760	565
Tax accruals	3 232	2 295
Scrap and material income	1 235	793
Other prepaid expenses and accrued income	518	780
Total prepaid expenses and accrued income	**8 225**	**6 109**

[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.

16 PROPERTY, PLANT AND EQUIPMENT

16.1 Overview assets	2020 in CHF	2019 in CHF
Own property, plant and equipment	294 727	306 669
Right-of-use from leased assets	40 130	51 223
Total carrying amounts	**334 857**	**357 892**

16.2 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 01/01/2019	**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**
Additions	875	4 981	34 656	**40 512**
Disposals	-4 295	-7 310	-2 118	**-13 723**
Reclassifications [1]	1 457	28 360	-30 628	**-811**
Translation differences	-3 812	-15 765	-1 911	**-21 488**
As at 12/31/2020	**136 046**	**357 937**	**63 972**	**557 955**
Accumulated depreciation as at 01/01/2019	**-39 858**	**-174 367**	**-11 504**	**-225 729**
Additions	-4 257	-26 468	-2 230	**-32 955**
Disposals	36	5 350	782	**6 168**
Translation differences	821	4 572	327	**5 720**
As at 12/31/2019	**-43 258**	**-190 913**	**-12 625**	**-246 796**
Additions [2]	-5 047	-27 208	-2 394	**-34 649**
Disposals	2 742	6 918	1 909	**11 569**
Impairments [3]	–	-4 015	-39	**-4 054**
Reclassifications	–	17	-67	**-50**
Translation differences	1 196	9 238	318	**10 752**
As at 12/31/2020	**-44 367**	**-205 963**	**-12 898**	**-263 228**
Net carrying amounts				
As at 12/31/2019	**98 563**	**156 758**	**51 348**	**306 669**
As at 12/31/2020	**91 679**	**151 974**	**51 074**	**294 727**

[1] Reclassifications include positions of immaterial assets amounting to kCHF -69 (previous year kCHF -323), of assets in leasing amounting to kCHF -989 and from assets in leasing amounting to kCHF 378.

[2] Depreciation and amortization of real estate increased by kCHF 606 in the 2020 financial year due to the unscheduled depreciation of a property not required for operational purposes to its market value.

[3] In the 2020 financial year, Feintool System Parts Oelsnitz GmbH and Feintool System Parts Lyss AG recognized special depreciation on machinery totaling kCHF 985 and kCHF 4 947, respectively. Of the impairment losses recognized by Feintool System Parts Lyss AG, kCHF 1 878 relate to leased machinery (see section 16.3).

Other property, plant and equipment includes installations, vehicles and assets under construction. Assets under construction amounted to kCHF 39 790 in the year under review (previous year kCHF 39 300). Gains on asset disposals are recognized as other operating income (Note 6). A gain of kCHF 258 (previous year kCHF 203) was generated in the reporting year. Losses on asset disposals are stated as other operating expenses (Note 5). In the year under review, this loss totaled kCHF 398 (previous year kCHF 362). As at December 31, 2020, the Feintool Group had entered into purchase commitments for the purchase of property, plant and equipment totaling approx. CHF 33.1 million (previous year CHF 42.4 million).

16.3 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 01/01/2019 [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**
Additions	62	599	562	**1 223**
Disposals	-54	-724	-477	**-1 255**
Reclassifications	–	611	–	**611**
Translation differences	-146	-541	-11	**-698**
As at 12/31/2020	**8 996**	**75 854**	**2 563**	**87 413**
Accumulated depreciation as at 01/01/2019	**–**	**-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**
Additions	-1 711	-7 818	-931	**-10 460**
Disposals	49	602	377	**1 028**
Reclassifications	–	28	–	**28**
Impairments [2]	–	-1 878	–	**-1 878**
Translation differences	71	235	2	**308**
As at 12/31/2020	**-3 333**	**-42 469**	**-1 481**	**-47 283**
Net carrying amounts				
As at 12/31/2019	**7 392**	**42 271**	**1 560**	**51 223**
As at 12/31/2020	**5 663**	**33 385**	**1 082**	**40 130**

[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.

[2] Im Geschäftsjahr 2020 wurden in Feintool System Parts Oelsnitz GmbH und Feintool System Parts Lyss AG Sonderabschreibungen in der Höhe von total TCHF 985 und TCHF 4 947 auf Maschinen vorgenommen. Von den Wertberichtigungen der Feintool System Parts Lyss AG betreffen TCHF 1 878 geleaste Maschinen (vgl. Ziffer 16.2).

In the 2020 financial year, interest expenses from lease liabilities were incurred in the amount of kCHF 516 (previous year kCHF 652).

17 INTANGIBLE ASSETS

17.1 Summary of intangible assets in CHF 1 000	Goodwill	Capitalized development costs [1]	Software	Other intangible assets [2]	Total
Cost of acquisition as at 01/01/2019	**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**
Additions	–	1 423	184	–	**1 607**
Disposals	–	-14	-86	-2 069	**-2 169**
Reclassifications	–	–	69	–	**69**
Translation differences	-574	–	-131	-377	**-1 082**
As at 12/31/2020	**63 198**	**12 219**	**8 737**	**32 193**	**116 347**
Accumulated depreciation as at 01/01/2019	**–**	**-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**
Additions	–	-1 836	-816	-2 494	**-5 146**
Disposals	–	–	18	2 068	**2 086**
Reclassifications	–	–	50	–	**50**
Impairments	–	–	18	–	**18**
Translation differences	–	–	108	78	**186**
As at 12/31/2020	**–**	**-7 542**	**-7 173**	**-10 170**	**-24 885**
Net carrying amounts					
As at 12/31/2019	**63 772**	**5 104**	**2 150**	**24 817**	**95 843**
As at 12/31/2020	**63 198**	**4 677**	**1 564**	**22 023**	**91 462**

[1] Research and development expenses amounting to kCHF 4 369 (previous year kCHF 4 469) 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.

17.2 Other information – Goodwill	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Cash-generating unit System Parts China	10 912	11 234
Cash-generating unit System Parts Fineblanking Europe	3 275	3 291
Cash-generating unit System Parts Forming Europe	6 908	6 941
Cash-generating unit System Parts Stamping Europe	42 103	42 306
Total carrying amounts	**63 198**	**63 772**

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 seven years.

	2020			2019		
17.3 Parameter for Discount rate	System Parts China	System Parts Europe (Fineblanking / Forming)	System Parts Europe (Stamping)	System Parts China	System Parts Europe (Fineblanking / Forming)	System Parts Europe (Stamping)
Discount rate after taxes	8.8	7.3	7.3	9.0	7.9	7.9
Market returns	6.0	4.0	4.0	6.0	6.0	6.0
Terminal growth rate	3.6	0.8	1.7	2.5	1.6	1.6

The cash-generating units System Parts Fineblanking Europe and Forming 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 966 (previous year kCHF 12 936). An increase in the weighted average cost of capital to 8.85 % (previous year 9.75 %) as well as a decrease in the growth rate to 3.49 % lead to a situation where the value in use equates the net carrying amount.
For the cash-generating unit Stamping Europe the recoverable amount exceeded the net carrying amount by kCHF 769 (previous year kCHF 43 282). An increase in the weighted average cost of capital to 7.35 % as well as a decrease of the growth rate to 1.64 % lead 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.

18 FINANCIAL ASSETS

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Loans to third parties	94	112
Receivables from the financing of customer tools	3 565	1 940
Rental deposit accounts	574	287
Financial assets	**4 234**	**2 339**

The weighted average interest rate in the reporting period was 0.2 % (previous year 0.4 %).

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

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

19 FINANCIAL LIABILITIES

19.1 Current financial liabilities	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Current liabilities to banks	27 876	27 583
Current portion of non-current liabilities to banks	977	518
Current portion of lease liabilities	11 132	11 818
Current liabilities from promissory note	27 005	–
Total current financial liabilities	**66 990**	**39 919**

The weighted average interest rate in the reporting period was 1.9 % (previous year 1.7 %).

19.2 Non-current financial liabilities	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Non-current promissory note	43 208	70 551
Non-current liabilities to banks	77 306	48 744
Non-current lease liabilities	20 711	25 027
Total non-current financial liabilities	**141 225**	**144 322**

The weighted average interest rate in the year under review was 0.8 % (previous year 1.4 %).

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

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

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

- Equity ratio > 25 %

As of December 31, 2020, all the covenants relating to the promissory note 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

In March 2020, it became apparent that Feintool was likely to breach individual financial covenants in its financial agreements over the course of 2020. In June 2020, Feintool signed an amendment to the agreement with the banks concerned that essentially increases the credit line by CHF 30 million to CHF 120 million and suspends the critical covenants until December 30, 2021. In their place, covenants relating to minimum profitability requirements and “available funds” (liquid funds and unused credit lines) were added to the agreement.

As of December, 31st 2020, CHF 63.7 million of the syndicated loan had been used (previous period CHF 44.5 million) and all the covenants – both the modified and the original covenants – had been met. In accordance with the principle of substance over form, the syndicated loan is 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, that are largely equivalent to those of the syndicated loan. As of December, 31st 2020, 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, 31st 2020, Feintool has CHF 65.6 million (previous year CHF 45.5 million) in unused, confirmed creditlines at the bank.

19.3 Reconciliation of financial liabilities	2020 in CHF 1 000	2019 in CHF 1 000
Start of period	**184 241**	**178 740**
Cash flows net [1]	25 053	-3 474
Non-cash changes	3 090	14 724
thereof new leases	3 090	14 724
Translation differences	-4 169	-5 749
End of period	**208 215**	**184 241**

[1] This item includes the borrowing of interest-bearing debt of kCHF 67 958 (previous year kCHF 13 644), the repayment of interest-bearing lease liabilities of kCHF 15 854 (previous year kCHF 14 674) and the repayment of interest-bearing debt of kCHF 27 051 (previous year kCHF 2 444).

20 TRADE AND OTHER PAYABLES

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Trade payables	47 704	58 748
Prepayments from third parties	2 512	5 177
Notes payable	3 917	4 667
Liabilities from factoring and ABS [1]	7 662	6 678
Social security liabilities	1 627	4 339
Outstanding VAT liabilities	378	1 138
Other liabilities	942	1 858
Total trade and other payables	**64 742**	**82 605**

[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 in the notes to the financial statements, section “financial assets and liabilities”.

21 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Accruals for salary, bonus, overtime, additional hours	8 674	9 564
Outstanding accounts payable	7 816	8 461
Outstanding installations and other work to be fulfilled in relation to customer orders	11 958	11 700
Tax accruals	517	2 273
Accruals for environmental risks	340	157
Other accrued expenses and deferred income	1 508	1 448
Total accrued expenses and deferred income	**30 813**	**33 603**

22 PROVISIONS

in CHF 1 000	Warranties	Other provisions	Total
Total provisions as at 01/01/2019	**3 652**	**6 841**	**10 493**
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
Recognized	442	8 136	8 578
Used	-685	-7 466	-8 151
Reversed	-334	-2 608	-2 942
Translation differences	-2	-99	-101
Total provisions as at 12/31/2020	**3 118**	**5 449**	**8 567**
of which current provisions	1 253	4 926	6 179
of which non-current provisions	1 865	523	2 388

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.

23 EMPLOYEE BENEFIT PLANS

23.1 Overview of net employee benefit liabilities (assets)	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Net defined benefit liability (asset)	47 791	62 514
Jubilee benefits	2 287	2 143
Other benefit obligations	21	454
Total net employee benefit liabilities (assets)	**50 099**	**65 111**

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 6 000 (previous year kCHF 6 579).

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 36 551 (previous year kCHF 51 367), the German plan to kCHF 10 384 (previous year kCHF 10 281) and the Japanese plan to kCHF 856 (previous year kCHF 866). On account of the materiality of the figures, only the Swiss and German plans are shown in Note 23.3 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 3.0 %–16.5 % of the insured salary for credits to individual retirement assets. The typical retirement age is 65 for men and 64 for women (until December 31, 2020 5.5 %–14.0 %). 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 5.4 % (previous year 5.6 %). Afterwards, it will fall by 0.2 % each year until it reaches 4.4 % in financial year 2025. The amendment to the regulations of the Swiss pension fund until the financial year 2021 has been agreed on in financial year 2016. In the reporting year, the company decided to adjust the conversion rate in subsequent years as well. 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 99.8 % as at December 31, 2020 (previous year 93.6 %). 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. Furthermore, during the reporting year, the pension trust made a one-off additional payment of CHF 3.6 million toward accelerating the restructuring of the Feintool Group's pension fund.

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.

23.2 Change in defined benefit liability (asset)	Defined benefit obligation		Plan assets		Net defined benefit liability (asset)	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	in CHF 1 000	in CHF 1 000	in CHF 1 000	in CHF 1 000	in CHF 1 000	in CHF 1 000
As at January 1	**194 464**	**180 758**	**-131 950**	**-123 834**	**62 514**	**56 924**
Recognized in income statement						
Current service cost	5 165	4 838	–	–	5 165	4 838
Interest expenses (income)	524	1 494	-324	-993	200	501
General and administrative expenses	–	–	241	217	241	217
Impact of plan amendment in Financial Year [1]	-5 388	–	–	–	-5 388	–
Impact of curtailment in Financial Year [2]	-838	–	–	–	-838	–
Total	**-537**	**6 332**	**-83**	**-776**	**-620**	**5 556**
Recognized in other comprehensive income						
Expense/(income) from remeasurement of						
Actuarial loss/(gain) due to:						
Change in demographic assumptions	–	–	–	–	–	–
Change in financial assumptions	1 111	15 519	–	–	1 111	15 519
Experience adjustment	-1 000	-2 512	–	–	-1 000	-2 512
Expense/(income) on plan assets (excluding interest income)	–	–	-5 252	-7 097	-5 252	-7 097
Translation differences	-180	-438	96	66	-84	-372
Total	**-69**	**12 569**	**-5 156**	**-7 031**	**-5 225**	**5 538**
Other						
Contributions from employer [3]	-504	-396	-8 374	-5 108	-8 878	-5 504
Contributions from employees	2 897	3 076	-2 897	-3 076	–	–
Benefits paid out	-10 851	-7 875	10 851	7 875	–	–
Total	**-8 458**	**-5 195**	**-420**	**-309**	**-8 878**	**-5 504**
As at December 31	**185 400**	**194 464**	**-137 609**	**-131 950**	**47 791**	**62 514**
of which Swiss plans	170 445	179 702	-133 894	-128 335	36 551	51 367
of which German plans	11 956	11 645	-1 572	-1 364	10 384	10 281
of which Japanese plans	2 999	3 117	-2 143	-2 251	856	866

[1] In financial year 2020, the Swiss pension fund approved an amendment to the regulations, which will result in a gradual reduction of the conversion rate from 5.2 % to 4.4 %. This amendment had a positive one-time effect of kCHF 5 388 on the statement of comprehensive income in the financial year.

[2] Triggered by the global economic slowdown, the number of employees in Switzerland fell by 34 in the 2020 financial year. This resulted in a curtailment in the Swiss pension fund that had a positive one-off effect of kCHF 838 and is reported on the Statement of Comprehensive Income.

[3] In the 2020 financial year, the pension trust made additional contributions of CHF 4.8 million to restructure the Feintool Group's Swiss pension fund. Restructuring contributions of CHF 1.2 million annually have been committed until a coverage ratio of 100 % has been reached, CHF 3.6 million are a one-time special payment to accelerate the restructuring process.

The expected contributions made to the employee benefit plans for the following financial year amount to CHF 4.1 million in the case of employer contributions and CHF 2.9 million in the case of employee contributions. The employer contributions include a restructuring payment of CHF 1.2 million.

23.3 Plan assets of defined benefit plans	2020 in %	2019 in %
Equities	29.9	8.9
Bonds	39.3	65.9
Real estate (including real estate funds)	23.8	15.1
Other	1.6	1.3
Cash	5.4	8.9
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.

23.4 Defined benefit plan obligations – actuarial assumptions	2020 in %	2019 in %
Swiss plan		
Discount rate	0.2	0.3
Future increase in wages and salaries	0.8	1.3
German plans		
Discount rate	0.6	0.8
Future increase in wages and salaries	0.0	0.0
Future increase in pensions	1.8–2.0	1.8–2.0

23.5 Defined benefit plan obligations – actuarial assumptions	2020 in years	2019 in years
Swiss plan		
Life expectancy at age 65 for newly retired persons		
Men	22.7	22.6
Women	24.8	24.7
Life expectancy at age 65 for employees currently aged 45		
Men	24.5	24.4
Women	26.5	26.4
German plans		
Life expectancy at age 65 for newly retired persons		
Men	20.5	20.4
Women	24.0	23.9
Life expectancy at age 65 for employees currently aged 45		
Men	23.3	23.2
Women	26.2	26.1

As at December 31, 2020, the weighted-average duration of pension benefit obligations was 14.8 years for the Swiss plan (previous year 15.3 years) and 19.2–19.7 years for the German plans (previous year 19.2–19.8 years). Feintool uses the BVG 2015 G mortality table in Switzerland and Heubeck in Germany for the hypothetical life expectancy.

23.6 Defined benefit plan obligations – sensitivity analysis	2020 in CHF 1 000	2019 in CHF 1 000
Swiss plan		
Change in discount rate -0.25 %	6 192	6 784
Change in discount rate +0.25 %	-5 787	-6 330
Change in wages and salaries -0.25 %	-288	-381
Change in wages and salaries +0.25 %	273	379
German plans		
Change in discount rate -0.25 %	587	585
Change in discount rate +0.25 %	-547	-552
Change in wages and salaries -0.25 %	n/a	n/a
Change in wages and salaries +0.25 %	n/a	n/a

24 EQUITY

24.1 Share capital	12/31/2020 Number/CHF	12/31/2019 Number/CHF
Number of shares	4 914 842	4 914 842
Nominal value	10	10
Share capital	49 148 420	49 148 420

24.2 Conditional capital – employee stock option plan	12/31/2020 in CHF 1 000	12/31/2019 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.

24.3 Authorized capital	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Start of period	**1 482**	**1 482**
Expired	-1 482	–
End of period	**–**	**1 482**

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 authorization was limited to two years. The authorized share capital expired on April 24, 2020.

	12/31/2020		12/31/2019	
24.4 Treasury shares – changes	Number	in CHF 1 000	Number	in CHF 1 000
Start of period	**9 694**	**852**	**17 141**	**1 780**
Bought	12 650		5 000	
Sale/transfer	-12 172		-12 447	
End of period	**10 172**	**615**	**9 694**	**852**
of which trading portfolio	10 172		9 694	

In the 2020 financial year, 12 650 shares were purchased at an average price of CHF 50.23 (previous year 5 000 shares at an average price of CHF 55.17) and 12 172 shares transfered at an average price of CHF 55.43 (previous year 12 447 shares at an average price of CHF 66.09) for the share-based management remuneration. Treasury shares are reserved primarily for management remuneration.

25 SHARED BASED PAYMENT PLANS

As a component of the bonus, 12 172 shares (previous year 12 447) were allocated to the Board of Directors, the Group Management and other managers in the financial year at a transaction value of kCHF 652 (previous year kCHF 748). Of this amount, 5 000 shares have been distributed in January 2021, 7 172 shares in December 2020. All shares were transferred from treasury shares and were transferred directly to the ownership of the recipient.

26 OFF-BALANCE SHEET TRANSACTIONS, CONTINGENT LIABILITIES

	12/31/2020	12/31/2019
	in CHF 1 000	in CHF 1 000
Contingent obligations	2 055	3 122
Contingent liabilities	**2 055**	**3 122**

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.

Feintool has filed a notice of appeal to a patent application filed by a competitor. In this context, this competitor accuses Feintool of having violated confidentiality agreements and is claiming damages of kCHF 540. Feintool denies this allegation. Feintool does not expect these disputes to have a material impact on the group's net assets, financial position, or results of operations.

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.

27 ASSETS PLEDGED AS SECURITY FOR OWN LIABILITIES

	12/31/2020	12/31/2019
	in CHF 1 000	in CHF 1 000
Real estate	5 624	6 139
Machinery and equipment	33 386	42 271
Assets pledged as security for own liabilities	**39 010**	**48 410**

28 ECONOMIC RISKS

The COVID-19 pandemic had a significant impact on economic development in the first half of the reporting year. At the present time, it is impossible to assess the further impact of the pandemic on global economic development.

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 120 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 19).

These contracts contain standard covenants, particularly

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

In March 2020, it became apparent that Feintool was likely to breach individual financial covenants in its financial agreements over the course of 2020. In June 2020, Feintool signed an amendment to the agreement with the banks concerned that essentially increases the credit line by CHF 30 million to CHF 120 million and suspends the critical covenants until December 30, 2021. In their place, covenants relating to minimum profitability requirements and "available funds" (liquid funds and unused credit lines) were added to the agreement.

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, 2020, all covenants – both the modified and the original covenants – had been met. As at December 31, 2020, Feintool had CHF 65.6 million (previous year CHF 45.5 million) in unused, confirmed credit lines at the bank.

Financial liabilities – carrying amounts and cash outflows in CHF 1 000	**Carrying amount**	Due within 1 year	Due within 3 years	Due within 5 years	Due in more than 5 years	**Total**
12/31/2020						
Liabilities [1]	**60 225**	60 225	–	–	–	**60 225**
Accrued expenses and deferred income [2]	**9 664**	9 664	–	–	–	**9 664**
Current liabilities to banks	**27 876**	27 876	–	–	–	**27 876**
Lease liabilities	**31 843**	11 237	14 281	3 997	2 734	**32 249**
Other liabilities to banks	**148 496**	28 670	96 011	2 559	16 338	**143 578**
Total	**278 104**	**137 672**	**110 292**	**6 556**	**19 072**	**273 592**
Foreign exchange futures [3]						
Cash inflows	**2**	2	–	–	–	**2**
Cash outflows	**–**	–	–	–	–	**–**
12/31/2019						
Liabilities	**71 951**	71 951	–	–	–	**71 951**
Accrued expenses and deferred income	**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/bonds	**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	**–**	–	–	–	–	**–**

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, 2020, the contractual values of the forward exchange deals amounted to kCHF 202 (previous year kCHF 12 344).

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 530.

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.

	2020		2019	
Sensitivity analysis exchange rate risk	Base amounts in EUR 1 000 / USD 1 000	Effect in CHF 1 000	Base amounts in EUR 1 000 / USD 1 000	Effect in CHF 1 000
EUR – Comprehensive Incom	-5 483	233	-40 415	2 248
USD – Comprehensive Income	3 133	-76	3 994	-87

Other market risks

The fair value of financial instruments may change as a result of exchange rates, interest rates or changes in credit ratings, and may therefore affect the Group's financial position and earnings. Feintool seeks to minimize the net effect of market risks through a balanced financing and asset structure.

Derivative financial instruments

Derivative financial instruments are used to minimize existing interest rate or exchange rate risks. The positive and negative fair values in the Notes show current market values. The contract volumes also shown indicate the extent of the exposure to derivatives.

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

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

The Group's aims for an equity ratio of at least 40 % and for a net-debt/EBITDA ratio of less than 1. Comments on the aforementioned ratios are provided in the Financial Review (chapter "Consolidated Balance Sheet"). 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, 2020, the overall default risk amounts to kCHF 142 584 (previous year kCHF 125 202). Feintool generates more than 18.3 % (previous year 18.4 %) of consolidated sales for one customer. Income is generated in all segments. With the other customers, the share is less than 12.1 % (previous year 12.3 %) in each case.

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

29 FINANCIAL INSTRUMENTS

29.1 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	61 276	–	**61 276**
Prepaid expenses and accrued income [1]	1 659	2	**1 661**
Receivables	76 693	–	**76 693**
Financial assets	4 234	–	**4 234**
Total carrying amounts as at 12/31/2020	**143 862**	**2**	143 864
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

29.2 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]	9 664	–	**9 664**
Trade payables	60 225	–	**60 225**
Current financial liabilities	66 990	–	**66 990**
Non-current financial liabilities	141 225	–	**141 225**
Total carrying amounts as at 12/31/2020	**278 104**	**–**	278 104
Accrued expenses and deferred income [2]	10 066	–	**10 066**
Trade payables	71 951	–	**71 951**
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

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.

29.3 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 2 net (previous year kCHF 159).

29.4 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 12/31/2020	**61 276**	**2**	**80 927**	**278 104**	
Interest income/expenses	–	–	76	-3 739	**-3 663**
Other financial income/expenses	–	-720	-420	-12	**-1 152**
Change in valuation allowances on customer receivables and bad debt losses	–	–	-49	–	**-49**
Total net gain/loss 2020	**–**	**-720**	**-393**	**-3 751**	**-4 864**
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/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**

29.5 Derivative financial instruments outstanding in CHF 1 000	Fair values positive	Fair values negative	Contract volumes
Futures contracts	2	–	202
Foreign currency instruments	**2**	**–**	**202**
Total derivative financial instruments as at 12/31/2020	**2**	**–**	**202**
Futures contracts	159	–	12 344
Foreign currency instruments	**159**	**–**	**12 344**
Total derivative financial instruments as at 12/31/2019	**159**	**–**	**12 344**

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

30 RELATED PARTIES

30.1 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 2 432 (previous year kCHF 2 672).

	2020 in CHF 1 000	2019 in CHF 1 000
Wages (including cash bonuses), fees [1]	1 485	1 579
Contributions to pension plans	515	520
Share-based payment [2]	431	573
Total	**2 432**	**2 672**

[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 2020 financial year, the shares were transferred on January 4, 2021. 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.

30.2 Other related parties	2020 in CHF 1 000	2019 in CHF 1 000
Balance Sheet		
Other payables	203	153

31 MAJOR SHAREHOLDERS

		12/31/2020		12/31/2019	
	Date of notification	Number of shares	Share of capital	Number of shares	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 %.

32 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

33 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2021 and will be submitted to the Annual General Meeting for approval on April 20, 2021.

KPMG

Statutory Auditor's Report

To the General Meeting of Feintool International Holding AG, Lyss

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Feintool International Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020 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 28 to 76) give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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

Existence and valuation of inventories

Valuation of goodwill

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 2020 amounted to CHF 491,965 thousand. The segment System Parts contributed 93.6% to these revenues while the remaining 6.4% were realised in the segment Fineblanking Technology.

Revenues are a key performance indicator 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, also with a view to the appropriate period, is particularly relevant, taking into account the respective delivery terms.

In the Fineblanking Technology segment, the production orders are recognised over time if the corresponding criteria are met. In addition to acquisition and manufacturing costs, as well as other directly attributable costs , the recognition over time takes into account. a portion of the profit based on the stage of completion, if it is likely that the contract will be profitable . 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 and 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, among others on margin analyses, 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 key controls.

- In addition, we selected a sample of projects, compared them to the underlying contracts and assessed whether for longer-term projects revenue recognition was in line with the stage of completion of the project. In this context we also 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, the estimated revenues were reconciled to the corresponding contracts and recalculations were performed. For projects with an expected loss, we tested whether 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 34-45
- Note 1 Segment Information on pages 46-48
- Note 3 Net Sales on page 49

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Existence and valuation of inventories

Key Audit Matter

Inventories (excluding work in progress and valuation allowances on work in progress) as of December 31, 2020 amounted to CHF 57,914 thousand and represented one of the most material positions in the balance sheet.

Raw material: CHF 35,750 thousand
Finished and semi-finished goods: CHF 44,209 thousand Valuation allowance on inventories: CHF -22,045 thousand.

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

Inventories are valued at manufacturing costs and their recoverability is periodically reviewed. This comprises comparing whether standard costs are accurate in relation to the actual costs. For semi-finished and finished goods containing a significant value added, the determination of the current 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 (valuation at lower of cost or market).

Our response

We performed the following main procedures:

— To test the existence of inventories at significant locations we assessed the instructions and procedures for inventory counts and participated in selected inventories counts on site. Based on samples we performed test counts and compared the results with the quantities counted by the entity.

— We assessed the appropriateness of the processes for incoming and outgoing goods and the identification of obsolete items.

— We recalculated inventories valuation allowances and compared them to source data on a sample basis

— In addition, we evaluated changes in the valuation basis and method, analysed in the context of our testing of the calculation individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.

— Based on key figures we furthermore 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 34-45

— Note 13 Inventories on page 55

KPMG

Valuation of goodwill

Key Audit Matter

As at December 31, 2020, the consolidated financial statements included goodwill amounting to CHF 63,198 thousand.

Goodwill has to be assessed for impairment by management at least on a yearly basis by determining the value in use, which is then compared to the carrying amount.

As part of the goodwill impairment test the discounted cashflow (DCF) method is applied. This requires the use of a number of key assumptions and estimates by management, including assumptions regarding expected future cash flows, long-term growth rates, future profitability levels and applicable discount rates, as well as assessments concerning the determination and allocation of assets to the cash generating units (CGUs).

In relation to total assets and net assets as per December 31, 2020, goodwill is of material importance. Furthermore, the economic environment in the automotive sector has become more difficult overall due to technological change and to the worldwide COVID-19 outbreaks.

In the financial year 2020 no impairment of goodwill was identified.

There is a risk that a potential impairment of goodwill is not or not adequately identified due to inappropriate assumptions and estimates.

Our response

Amongst others, we have performed the following audit procedures:

— We evaluated the determination of the CGUs by management as well as the methodological and mathematical correctness of the valuation method used for the impairment test.

— Also, we assessed the appropriateness of the most important assumptions used to determine the value in use as well as the method applied for the cash-flow projections. This included the allocation of goodwill to the CGUs, the long-term growth rates and the determination of the discount rate based on our business understanding of the respective CGUs. In this respect, we made comparisons with publicly available market data, where possible. Our valuation specialists supported us in assessing the discount rate.

— Furthermore, we gained an understanding of the business plans and made comparisons with prior-year assumptions. Also, we traced the data used in the business plans back to the budgets and medium-term planning approved by the Board of Directors.

— We also conducted sensitivity analyses taking into account the historical forecasting accuracy.

— Moreover, we assessed the appropriateness of the disclosures related to the impairment test.

For further information on goodwill refer to the following:

— Note Accounting Principles on pages 34-45

— Note 17 Intangible Assets on page 58-59

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 standalone 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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	Patrick Biedermann Licensed Audit Expert

Zurich, March 1, 2021

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

FEINTOOL INTERNATIONAL HOLDING AG

Financial Review of the 2020 Financial Year

(from January 1 to December 31, 2020)

FEINTOOL INTERNATIONAL HOLDING AG BALANCE SHEET

for the 2020 financial year (as at December 31, 2020)

	Note	12/31/2020 in CHF 1 000	in %	12/31/2019 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		8 892		8 060	
Trade and other receivables	1	7 828		7 463	
Prepaid expenses and accrued income	2	1 641		1 475	
Total current assets		**18 361**	**4.7**	**16 998**	**4.4**
Non-current assets					
Property, plant and equipment	3	289		674	
Intangible assets	4	1 977		2 054	
Financial assets	5	148 976		154 174	
Investments	6	218 026		215 444	
Total non-current assets		**369 267**	**95.3**	**372 346**	**95.6**
TOTAL ASSETS		387 627	100.0	389 344	100.0
LIABILITIES					
Current liabilities					
Current interest bearing liabilities	7	37 941		59 193	
Trade and other payables	8	923		1 266	
Accrued expenses and deferred income	9	2 690		3 109	
Total current liabilities		**41 554**	**10.7**	**63 568**	**16.3**
Non-current liabilities					
Non-current interest bearing liabilities	10	63 732		44 795	
Non-current provisions	11	650		597	
Total non-current liabilities		**64 382**	**16.6**	**45 392**	**11.7**
Total liabilities		**105 936**	**27.3**	**108 960**	**28.0**
Shareholder's equity					
Share capital	12	49 148		49 148	
General legal reserves from capital contributions	12	129 396		129 396	
Voluntary retained earnings					
Profit brought forward		102 494		77 395	
Result for the year		1 268		25 297	
Treasury shares	15	-615		-852	
Total equity		**281 692**	**72.7**	**280 384**	**72.0**
TOTAL EQUITY AND LIABILITIES		387 627	100.0	389 344	100.0

FEINTOOL INTERNATIONAL HOLDING AG STATEMENT OF INCOME

for the 2020 financial year (January 1 to December 31, 2020)

		2020		2019	
	Note	in CHF 1 000	in %	in CHF 1 000	in %
INCOME					
Operating income	16	24 631	60.4	31 291	40.2
Income from investments		–	0.0	23 047	29.6
Financial income	17	16 136	39.6	23 530	30.2
Total income		**40 767**	**100.0**	**77 867**	**100.0**
EXPENSES					
Personnel expenses	18	7 812	19.2	7 730	9.9
Other operating expenses	19	8 370	20.5	9 193	11.8
Depreciation		1 913	4.6	3 081	3.9
Depreciation on investments		1 500	3.7	5 000	6.4
Financial expenses	20	17 942	44.0	24 382	31.3
Prior-period expenses	21	1 783	4.4	2 395	3.1
Income Taxes		179	0.4	789	1.0
Total expenses		**39 499**	**96.9**	**52 570**	**67.5**
RESULT FOR THE YEAR		**1 268**	**3.1**	**25 297**	**32.5**

NOTES TO THE FINANCIAL STATEMENTS OF FEINTOOL INTERNATIONAL HOLDING AG

as at December 31, 2020

PRINCIPLE

General

Feintool International Holding AG has its headquarters in Lyss, Switzerland. The 2020 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 are recognized on the balance sheet from, with the exception of short-term contracts (12 months or less) and low-value assets.
The right-of-use asset is capitalized on the balance sheet. Afterwards, 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. 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 kCHF 147 is recognized as an expense from such contracts in the income statement for 2020 (previous year kCHF 192).

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

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Accounts receivable – third parties	672	383
Accounts receivable – intercompany	3 305	5 948
Interest bearing receivable – intercompany [1]	3 851	1 132
Total trade and other receivables	**7 828**	**7 463**

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

2 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Prepaid expenses – third parties	1 632	1 424
Prepaid expenses – intercompany	10	51
Total prepaid expenses and accrued income	**1 641**	**1 475**

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Own property, plant and equipment

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Furniture and fixtures	4	25
Automotive	–	2
Other fixed assets	4	46
Total property, plant and equipment	**8**	**72**

3.2 Property, plant and equipment in lease

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Right of use on buildings	258	515
Other Right of use assets	23	87
Total right of use assets	**281**	**602**

In accordance with the principle of substance over form, leases are recognized on the balance sheet beginning since 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

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Cost for research and development	1 949	2 045
Software	28	–
Other intangible assets	–	9
Total intangible assets	**1 977**	**2 054**

5 FINANCIAL ASSETS

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Financial assets – intercompany	148 976	154 174
Total financial assets	**148 976**	**154 174**

6 INVESTMENTS

Company	Locations, country		Capital	Proportion of capital and voting rights as of December 31, 2020	Proportion of capital and voting rights as of December 31, 2019	Consolidation 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	26 350 000	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	Frankfurt, GER	EUR	3 000 000	100 %	100 %	Full
Feintool System Parts Jessen GmbH	Jessen, GER	EUR	1 000 000	100 %	100 %	Full
Jela Immobilien GmbH	München, GER	EUR	25 000	100 %	100 %	Full
Vireo Verwaltungsgesellschaft mbH [3]	Jena, GER	EUR	245 340	n/a	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. [4]	Chongquing, CN	USD	61 000	n/a	100 %	Full
Feintool U.S. Operations, Inc. [5]	**Cincinnati, USA**	**USD**	**6**	**100 %**	**100 %**	**Full**
Feintool Cincinnati, Inc. [5]	Cincinnati, USA	USD	500	100 %	100 %	Full
Feintool Equipment Corp. [5]	Cincinnati, USA	USD	100	100 %	100 %	Full
Feintool New York, Inc. [5]	**White Plains, USA**	**USD**	**1000**	**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 3.85 million in the financial year.

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 November 22, 2019, Jela Immobilien GmbH purchased a 90 % interest in Vireo Verwaltungsgesellschaft mbH from HL Holding AG. On May 6, 2020, Jela Immobilien GmbH acquired the remaining 10 % interest in Vireo Verwaltungsgesellschaft mbH from HL Holding AG. Effective October 16, 2020, Jela Immobilien GmbH (absorbing entity) and Vireo Verwaltungsgesellschaft mbH (absorbed entity) were merged.

4) On May 9, 2020, the company Feintool (Chongquing) Technology Co. Ltd. which was placed in liquidation on January 1, 2015, has been removed from the commercial register.

5) The total paid-up capital of Feintool U.S. Operations, Inc., Feintool Cincinnati, Inc., Feintool Equipment Corp., and Feintool New York, Inc., was incorrectly disclosed under “Capital” in previous years. The current figures reflect these companies’ nominal capital. No equity transactions were carried out at these companies in either 2019 or 2020.

7 CURRENT INTEREST-BEARING LIABILITIES

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Current interest bearing liabilities – third parties	13 519	13 572
Current interest bearing liabilities – intercompany [1]	24 136	45 306
Current leasing liabilities	286	314
Total current interest bearing liabilities	**37 941**	**59 193**

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

8 TRADE AND OTHER CURRENT PAYABLES

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Current liabilities – third parties	682	1 015
Current liabilities – related parties	159	204
Current liabilities – intercompany	31	–
Current liabilities – governing bodies	51	47
Trade and other payables	**923**	**1 266**

9 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Accruals for salary, bonus, overtime	1 307	986
Outstanding accounts payable	1 055	1 162
Tax accruals	188	–
Accrued expenses – intercompany	140	961
Total accrued expenses and deferred expense	**2 690**	**3 109**

10 NON-CURRENT FINANCIAL LIABILITIES

	12/31/2020 in CHF 1 000	12/31/2019 in CHF 1 000
Non-current interest bearing liabilities – third parties [1]	63 732	44 501
Non-current leasing liabilities	–	294
Total non-current interest bearing liabilities	**63 732**	**44 795**

[1] On June 13, 2017, Feintool signed a CHF 90 million syndicated loan agreement in cash loans with six banks and a term until June 13, 2022. On May 17, 2018, this contract was extended and will now run until June 13, 2023. In March 2020, it became apparent that Feintool was likely to breach individual financial covenants in its financial agreements over the course of 2020. In June 2020, Feintool signed an amendment to the agreement with the banks concerned that essentially increases the credit line by CHF 30 million to CHF 120 million and suspends the critical covenants until December 30, 2021. In their place, covenants relating to minimum profitability requirements and "available funds" (liquid funds and unused credit lines) were added to the agreement. As of December 31, 2020, CHF 63.7 million of the syndicated loan had been used (previous period: CHF 44.5 million). Any drawdowns by subsidiaries are guaranteed by Feintool International Holding AG up to a maximum amount of CHF 99 million.

11 NON-CURRENT PROVISIONS

Non-current provisions include provisions for insurance payments in the amount of kCHF 541 (previous year kCHF 490) and provisions for anniversary benefits of kCHF 108 (previous year kCHF 107).

12 SHARE CAPITAL

12.1 Share capital

	12/31/2020	12/31/2019
	Number/CHF	Number/CHF
Number of shares	4 914 842	4 914 842
Nominal value	10	10
Share capital	49 148 420	49 148 420

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 section 24.2 of the Notes to the Financial Statements.

14 AUTHORIZED SHARE CAPITAL

The disclosure of authorized share capital is reported in section 24.3 of the Notes to the consolidated financial statements.

15 TREASURY SHARES

The disclosure of the treasury shares is represented in section 24.4 of the Notes to the Financial Statements.

16 OPERATING INCOME

	2020 in CHF 1 000	2019 in CHF 1 000
Operating income – third party	75	861
Income from intercompany services	24 556	30 430
thereof licenses and patents	13 771	18 875
thereof other management services	3 205	3 045
thereof IT services	5 186	5 907
thereof internal services, building maintenance/services and staff restaurant	1 006	1 221
thereof other intercompany services	1 388	1 382
Total operating income	**24 631**	**31 291**

17 FINANCIAL INCOME

	2020 in CHF 1 000	2019 in CHF 1 000
Interest income – third party	33	20
Interest income – intercompany	2 587	2 535
Foreign exchange gains	13 516	20 975
Total financial income	**16 136**	**23 530**

18 PERSONNEL EXPENSES

	2020 in CHF 1 000	2019 in CHF 1 000
Salaries and wages[1)]	5 955	6 334
Social security contribution[1)]	868	799
Other personnel expenses	989	597
Total personnel expenses	**7 812**	**7 730**

Feintool International Holding AG employed 35 staff at the end of the year (previous year 33; calculated in Full Time Equivalents and incl. Apprentices and trainees).

1) In the 2020 financial year, Feintool International Holding AG received short-time work compensation in the amount of kCHF 70. Of this total, kCHF 65 is recognized in wages and salaries and kCHF 5 in social security contributions.

19 OTHER OPERATING EXPENSES

	2020 in CHF 1 000	2019 in CHF 1 000
Research and development	2 485	2 895
Patents and licenses	246	312
Corporate communication and investor relations	495	564
Information technology	3 711	3 364
Consulting	816	1 392
Rent	196	234
Staff restaurant	191	327
Capital tax	–	-309
Other expenses	230	415
Total other operating expenses	**8 370**	**9 193**

20 FINANCIAL EXPENSES

	2020 in CHF 1 000	2019 in CHF 1 000
Interest expense – third party	1 449	776
Other financial expenses – third party [1]	763	540
Foreign exchange losses	15 731	23 066
Total financial expenses	**17 942**	**24 382**

[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

	31.12.2020 in CHF 1 000	31.12.2019 in CHF 1 000
Guarantees and warranties for investments	16 157	27 200
Subordination clauses in favor of subsidiaries	6 955	955
Joint and several liability as regards cash pooling	p.m.	p.m.
Joint and several liability as regards Swiss VAT group	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 section 31 of the Notes to the Financial Statements.

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

	12/31/2020 Number of registered shares	**12/31/2019** Number of registered shares
Alexander von Witzleben, Chairman of the Board of Directors [1]	40 057	35 057
Christian Mäder, Deputy Chairman of the Board of Directors from April 30, 2020 on [2]	–	–
Dr. Marcus Bollig, Member of the Board of Directors from April 30, 2020 on [2]	–	–
Norbert Indlekofer, Member of the Board of Directors	–	–
Heinz Loosli, Member of the Board of Directors	781	3 481
Total Board of Directors	**40 838**	**38 538**
Knut Zimmer, CEO	6 030	3 746
Dr. Thomas F. Bögli, CFO	4 713	4 047
Total Group Management	**10 743**	**7 793**
Total other employees	**756**	**566**

[1] Held directly and indirectly; the 5 000 shares with a value of CHF 276 000 as remuneration for the 2020 financial year were assigned on January 4, 2021.

[2] The General Meeting on April 30, 2020, elected Christian Mäder and Dr. Marcus Bollig to the Board of Directors.

The shares are valued at a price of CHF 55.20 (previous year: CHF 61.80) as of December 31, 2020. This results in a total value of kCHF 2 889 (previous year: kCHF 2 898).

25 LIABILITIES TO EMPLOYEE BENEFIT PLANS

There was no liability to the pension fund as of December 31, 2020 (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 proposes to the General Meeting to refrain from distributing a dividend and to carry forward the 2020 annual results to new account.

	12/31/2020 in CHF
Retained earnings brought forward	102 493 855
Result for the year	1 268 085
Available earnings	**103 761 940**
Gain Carryforward	**103 761 940**

KPMG

Statutory Auditor's Report

To the General Meeting of Feintool International Holding AG, Lyss

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Feintool International Holding AG, which comprise the balance sheet as at December 31, 2020, 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, 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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.

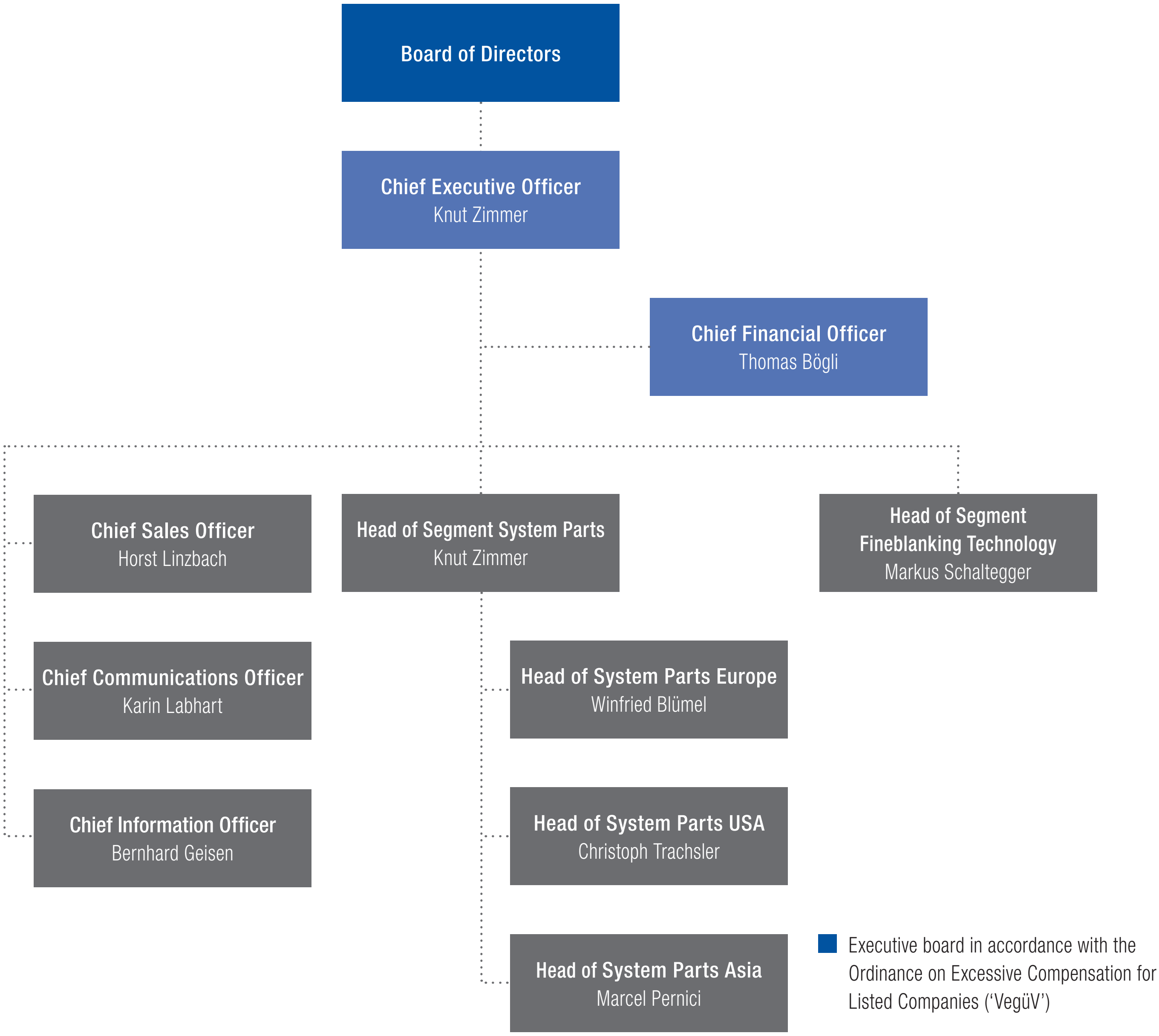
KPMG AG

Roman Wenk Licensed Audit Expert Auditor in Charge	Patrick Biedermann Licensed Audit Expert

Zurich, March 1, 2021

CORPORATE GOVERNANCE

Good governance is a core component of our corporate strategy



Operational management structure by 31 December 2020

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 270 737 784 (as at December 31, 2020)

[1] Without 10 172 treasury shares.

Key share prices in 2020 financial year:			
Highest	01/06/2020	CHF	60.00
Lowest	03/16/2020	CHF	36.60
Closing price	12/30/2020	CHF	55.20

With 1 990 shareholders (previous year 2 187), the number of shareholders decreased over the last twelve months about 197. As of December 31, 2020, 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 in section 6 of the Notes to the Financial Statements of Feintool International Holding AG.

1.2 Major shareholders

Name	Percentage ownership of total equity
Artemis Beteiligungen I AG and Michael Pieper	50.32 %
Geocent AG	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, 2020, the share capital of Feintool International Holding AG amounted to CHF 49 148 420, comprising 4 914 842 fully paid-up registered shares with a par value of CHF 10 each.

2.2 Authorized and conditional capital

Authorized capital

The authorized capital of Feintool International Holding AG available on December 31, 2019, in the amount of CHF 1 481 290, corresponding to 148 129 registered shares with a par value of CHF 10, expired on April 24, 2020.

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 section 24 of the Notes to the financial statement and section 12 of the Notes to the Financial Statements of Feintool International Holding AG.

2.3 Changes in capital

Share capital

Date	Description	Number	Nominal value [1]	Increase/ decrease [1]	Capital [1]	Number of shares
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
12/31/2019	held				49 148 420	4 914 842

[1] in CHF

Authorized capital

Date	Description	Number	Nominal value [1]	Increase/ decrease [1]	Capital [1]	Number of shares
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
04/24/2020	expired [2]	-148 129	10	-1 481 290	–	–
12/31/2020	held				–	–

[1] in CHF [2] The authorized capital of a maximum of CHF 6 million created in the 2016 financial year expired on April 19, 2018. The Board of Directors was once again granted authorization by means of a resolution of the General Meeting on April 24, 2018, however. This authorization expired in the reporting period 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
12/31/2017	held				557 500	55 750
12/31/2018	held				557 500	55 750
12/31/2019	held				557 500	55 750
12/31/2020	held				557 500	55 750

[1] in CHF

For details on financial years prior to 2017, please refer to page 98 onwards of the 2017 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, 2020.

MEMBERS OF THE BOARD OF DIRECTORS, FEINTOOL INTERNATIONAL HOLDING AG

As at December 31, 2020

ALEXANDER VON WITZLEBEN
(1963, D) Chairman of the Board of Directors

- Member since 1998
- Member of the Nomination and Compensation Committee and the Audit Committee

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

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

Qualifications:
Studied economics at the University of Passau

Professional background:
- 1990–1993 KPMG Deutsche Treuhand Gesellschaft, Munich (GER): Lead Auditor
- 1993–2007 Jenoptik AG, Jena (GER): firstly as Chief Financial Officer, then Chief Executive Officer from 2004
- 2007–2008 Franz Haniel & Cie. GmbH, Duisburg (GER): Member of the Management Board
- Since 20 January 2009 Feintool International Holding AG, Lyss

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)

CHRISTIAN MÄDER
(1969, CH) Vice Chairman of the Board of Directors

- Member since 2020
- Member of the Nomination and Compensation Committee and the Audit Committee

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

Qualifications:
Certified expert in accounting and controlling

Professional background:
- 1993-1999 Colenco Ltd (Motor-Columbus Group) various functions, including Head of Finance and Accounting
- 1999-2000 management consultant at KPMG
- 2000-2015 in various finance and management functions at the Swisslog Group
- Since 2005 CFO and member of the Swisslog Group Executive Board
- Since 2015 CFO and member of the Artemis Group Executive Board

Other activities and commitments:
- Chairman of the Board of Directors of Franke Holding AG
- Chairman of the Board of Directors of Kraftwerk Europe AG
- Member of the Board of Directors of Adval Tech Holding AG
- Member of the Board of Directors of Ciron S.A.
- Member of the Board of Directors of Sant' Isidoro S.R.L.
- Member of the Board of Directors of O. Kleiner AG

DR. MARCUS BOLLIG
(1967, D) Non-executive Director

Member since 2020

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

Qualifications:
- Degree in Mechanical Engineering at the RWTH Aachen (1987-1993)
- Scientific work at RWTH Aachen, Universidad Politécnica de Madrid and University of California San Diego with subsequent doctorate (1993-1998)

Professional background:
- 1998-2011 Various functions in the development of four-cylinder engines at BMW AG
- 2011-2013 Head of Department Project New Technologies Electrification at BMW AG
- 2013-2016 Head of the Efficient Dynamics Department at BMW AG
- 2016-2019 Head of the BMW AG Research Department for Complete Vehicles
- Since 2019 Head of Transmission, Powertrain Department at BMW AG

NORBERT INDLEKOFER
(1958, D) Non-executive Director

Member since 2018

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

Additional activities and vested interests:
- Member of the Board of Directors of Autoneum Holding AG in Winterthur, Switzerland
- Member of the Board of Directors of Gienanth GmbH in Eisenberg, Germany

HEINZ LOOSLI
(1954, CH) Non-executive Director

Member since 2017

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 Holding GmbH, Königsbach-Stein (GER)

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors

As of December 31, 2020, the Board of Directors comprised five members. Tthe 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 20, 2021
Christian Mäder	2020	April 20, 2021
Dr. Marcus Bollig	2020	April 20, 2021
Norbert Indlekofer	2018	April 20, 2021
Heinz Loosli	2017	April 20, 2021

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. Christian Mäder 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 Christian Mäder (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 Christian Mäder (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 2020 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. Due to the COVID-19 pandemic, two of these meetings were held in the form of a video conference. Monthly conference calls were held from March through June 2020 regarding the current situation related to the COVID-19 pandemic. 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). 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, 2020

KNUT ZIMMER
(1963, GER) Chief Executive Officer

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

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, CH) Chief Financial Officer

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, 2020. The management structure can be found in the organizational chart shown in section 1.1.1 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.

If required, 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 the Remuneration Report.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 Voting right restrictions and proxies

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

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

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

6.2 Quorum requirements

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

6.3 Convocation of the General Meeting

In accordance with Art. 9 of the Articles of Association, the General Meeting must be convened at least 20 days in advance by publication of a notice in the Swiss Official Gazette of Commerce. In addition, registered shareholders will receive a written invitation.

6.4 Agenda items
In accordance with Article 9 of the Articles of Association, shareholders who individually or jointly hold at least 10 % of the share capital or hold shares with a par value of at least CHF 1 million may request the inclusion of a particular item for discussion, at the latest 40 calendar days prior to the General Meeting. Such items must be submitted in writing, citing the item for discussion and the proposals.

6.5 Entries in the share register
In accordance with Article 10 of the Articles of Association, all shareholders entered in the share register with voting rights, together with registered nominees, are entitled to attend the General Meeting and to vote. Shareholders who are entered in the share register by 5:00 p.m. on Monday, April 12, 2021 (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, 2020, 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 2020 financial year amounted to CHF 518 000.

8.3 Additional fees
In the reporting period, KPMG AG agreed a total fee of CHF 8 500 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. Eleven press releases were published during the financial year from January 1 to December 31, 2020. 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. Due to the COVID-19 pandemic, it was not possible to visit manufacturing sites as of March 2020; consequently, the visit for the financial community could not be conducted in 2020. 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. Most of these meetings took place virtually.

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 2020 financial year, two such letters were sent on the subjects of the 2019 year-end financial results and the 2020 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-contact). 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 section 28 of the Notes to the Financial Statements.

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.

If required, 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 2020 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 2020 financial year				
Alexander von Witzleben, Chairman	274 000	276 000	127 716	**677 716**
Dr. Michael Soormann, Deputy Chairman [5)]	46 667	–	–	**46 667**
Christian Mäder, Deputy Chairman [6)]	95 833	–	–	**95 833**
Thomas A. Erb, Member [5)]	15 833	–	959	**16 792**
Dr. Marcus Bollig, Member [6)]	34 167	–	–	**34 167**
Norbert Indlekofer, Member [7)]	77 500	–	9 915	**87 415**
Heinz Loosli, Member	50 000	–	–	**50 000**
Total Board of Directors	**594 000**	**276 000**	**138 590**	**1 008 590**
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 [7)]	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**

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 206 244 (previous year CHF 222 683). This includes a discount for the lock-in eriod.

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

5) Dr. Michael Soormann and Thomas A. Erb, previously members of the Board of Directors, waived further candidacy on April 30, 2020. The compensation refers to the period from January 1, 2020 to April 29, 2020.

6) The General Meeting on April 30, 2020, elected Christian Mäder and Dr. Marcus Bollig to the Board of Directors. The compensation involves the period from April 30, 2020 to December 31, 2020.

7) Fixed salary for 2020 and 2019 includes CHF 30 000 for strategy consulting.

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 2020 financial year						
Knut Zimmer, CEO	459 996	23 413	119 956	4 800	279 650	**887 815**
Dr. Thomas F. Bögli, CFO	360 000	38 195	34 978	4 800	96 761	**534 734**
Total Group Management	**819 996**	**61 608**	**154 934**	**9 600**	**376 411**	**1 422 549**
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**

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 103 915 (previous year CHF 103 903) and Thomas F. Bögli CHF 30 295 (previous year CHF 134 209).

4) Provision of company cars, etc.

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

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 Group Management from January 1 until December 31:

4.1 Former members of Group Management (including related parties) in CHF	Fixed salary [1]	Variable salary	Shares/options	Benefits in kind	Contributions to pension plans [2]	Total
2020 total for former members	–	–	–	–	–	**–**
2019 total for former members	60 000	–	–	–	3 075	**63 075**

1) Contractually agreed salary.

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

KPMG

Report of the Statutory Auditor

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

We have audited the accompanying remuneration report of Feintool International Holding AG for the year ended December 31, 2020. 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 120 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, 2020 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

Patrick Biedermann
Licensed Audit Expert

Zurich, March 1, 2021

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 packages.

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, 2020

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Imprint

The 2020 Report is available in German and English.The printed German version is authoritative.

Published by Feintool International Holding AG
Concept, design and production Feintool Corporate Communications
English version Wieners+Wieners GmbH, Ahrensburg, Germany

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