EXPANDING HORIZONS WITH FINEBLANKING, FORMING AND STAMPING

FEINTOOL GROUP

Annual Report 2021

FEINTOOL

EXPANDING HORIZONS

IMPORTANT KEY FIGURES AT A GLANCE

(business units with ongoing operations only)

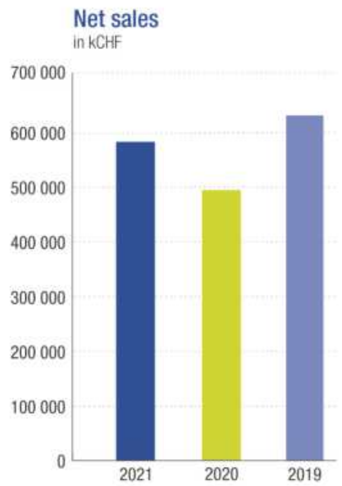
		2021 01/01/–12/31/21	2020 01/01/–12/31/20	2019 01/01/–12/31/19	2018 01/01/–12/31/18	2017 01/01/–12/31/17
Operating figures	in CHF m					
Expected releases – high volume parts manufacturing		307.8	253.1	265.2	286.1	264.0
Orders received third (investment goods)		37.9	24.5	50.5	87.7	82.7
Orders backlog third (investment goods)		16.8	10.8	18.5	31.0	38.3
Net sales		588.1	492.0	632.7	679.6	612.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)		85.6 [1]	53.2 [2]	67.7	89.7	83.2
Operating profit (EBIT)		34.4 [1]	3.0 [2]	18.9	47.5	46.3
Net earnings		19.7 [1]	-4.3 [2]	10.7	30.5	27.7
Return figures	in %					
EBITDA margin		14.5 [1]	10.8 [2]	10.7	13.2	13.6
EBIT margin		5.9 [1]	0.6 [2]	3.0	7.0	7.6
Net return on sales		3.4 [1]	-0.9 [2]	1.7	4.5	4.5
Cash flow and balance sheet statistics	in CHF m					
Cash flow from operating activities		75.8	41.5	82.0	67.0	38.5
Cash flow from investing activities (net)		-37.4	-40.2	-51.8	-121.0	-77.1
Free cash flow		38.3	1.3	30.2	-54.0	-38.6
Total assets		684.4	677.1	706.3	705.3	600.4
Equity		338.4	293.9	309.9	320.8	255.2
Liabilities		346.0	383.2	396.4	384.5	345.1
Net debt		120.7	146.9	140.8	147.9	81.9
Equity ratio		49.4 %	43.4 %	43.9 %	45.5 %	42.5 %
Gross investments		57.4	43.3	56.3	101.2	60.1
Key figures per share	in CHF					
Earnings per share (basic)		4.02 [1]	-0.87 [2]	2.17	6.63	6.22
Dividend per share		1.00 [3]	0.00	0.00	2.00	2.00
Equity per share		68.85	59.80	63.05	65.26	57.19
Other						
Number of employees at year-end (excl. apprentices)		2 478	2 570	2 641	2 697	2 485

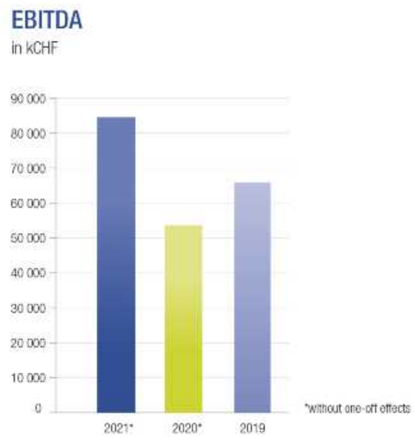
[1] In the 2020 financial year, Feintool received a loan of USD 8.4 million under the PPP program in the United States to mitigate the impact of the COVID-19 pandemic. In the first half of 2021, the government assured the company that this loan would not have to be repaid. Feintool also received CHF 3.9 million (amount excl. tax effect) in immediate aid from the Swiss government in the year 2021 to mitigate the effects of the COVID-19 pandemic. In addition, due to capacities no longer required at one plant, the company recognized an impairment loss on manufacturing equipment totaling CHF 12.1 million (amount excl. tax effect). In this overview, EBITDA, EBIT, the group result, the profit margin, and earnings per share are presented without these effects.

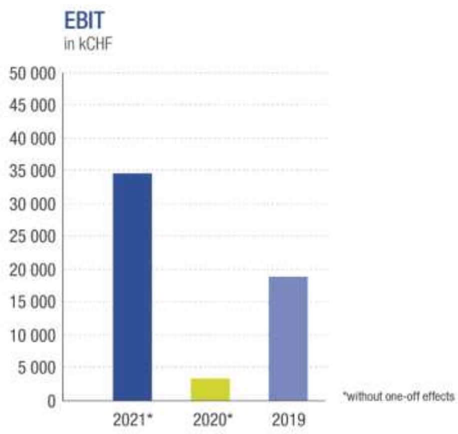
[2] In the 2020 financial year, the company agreed to a change in benefits in the Swiss pension plan and a curtailment due to the staff reduction measures, which had a positive one-off effect of CHF 6.3 million on comprehensive income for the period in accordance with IAS 19 (amount excl. tax effect). In addition, due to capacities no longer required at two plants, an impairment loss on manufacturing equipment totaling CHF 5.9 million was recognized (amount excl. tax effect). In this overview, EBITDA, EBIT, the group result, the profit margin, and earnings per share are presented without these effects.

[3] Board of Directors' proposal

"Strong sales growth and approximately six percent EBIT"







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ALEXANDER VON WITZLEBEN

KNUT ZIMMER

Dear Shareholders,

Another financial year dominated by numerous challenges lies behind us. We had to contend with demanding situations – uncertainties and the associated macroeconomic developments, which are notoriously difficult to forecast, continued to loom large. The slump in demand as a result of the coronavirus pandemic was followed by a rapid revival of economic activity at the beginning of the year. Toward the middle of the year, however, the recovery stalled. Supply shortages, rising prices, and the effects of the pandemic meant that global economic growth forecasts had to be revised downward by a substantial margin. Despite these extremely challenging conditions overall, the Feintool Group performed well and closed out the 2021 financial year having achieved significant growth in all relevant key figures. Our segments and companies are well positioned and have generated satisfactory results despite the constant fluctuations in our business. As was the case in the previous reporting period, business performance varied both by region and by technology.

The Feintool Group's sales increased by a significant 19.5 % year over year to CHF 588.1 million, with the rise in the price of steel having an increasing impact. Earnings before interest and taxes (EBIT) increased to CHF 33.9 million, with an equity ratio of 49.4 percent. As a result, a dividend payout of CHF 1 per share will be proposed at the General Meeting.

The e-mobility transformation: positioned to innovate and meet the challenges of the future

From a strategic point of view, the company has taken important steps to position itself successfully for the future e-mobility market and to grow more rapidly in this area. A number of significant capital expenditures in one of our key areas of technology, electrolamination stamping, ensured that Feintool was able to supply its customers during the reporting period. Capital expenditures were made at locations in Germany and China to meet the growing demand for stamped motor core components made from electrolamination. In Germany, further expanding activities is a logical step in response to the growing demand for these components. In China, the company secured its first orders in the Motor Core segment. Our acquisition of the Kienle + Spiess Group, which specializes in the manufacture of rotors and stators for electric drive systems (see separate section), underscores our ambition to assume a leading technological position and a relevant market position over the medium term in the field of electrolamination stamping as well.

With its traditional core competencies of fineblanking and forming, Feintool has also tapped into potential in the field of e-mobility and other applications for electric motors, and has received new, important nominations and continued existing ones. As part of various orders, Feintool supplies, for example, sophisticated fineblanked and formed components for battery-electric drivetrain applications. Special components ensure that the power is distributed safely throughout a car’s onboard electronics or a stationary electric drive system. The fact that forming, one of Feintool’s key areas of technology, is also an integral part of sustainable mobility solutions is demonstrated by the numerous applications that are in high demand from customers. Stable and lightweight formed parts are used as rotor arms, cooling jackets, or support flanges in the electric drives of all-electric and hybrid vehicles.

2021 market trends

The year 2021 was a year fraught with planning uncertainty for the automotive industry. For the most part, businesses could react to events as they occurred. Restrictions put in place to stop the spread of the coronavirus that varied from region to region and a global economy caught off guard by the rapid resurgence of demand at the beginning of the year made forward-looking decisions in all areas of the business difficult, if not impossible.
Any economic improvements were soon thwarted by supply shortages or pandemic-related restrictions. What was valid one day was no longer valid a few weeks later. This applied equally to supply chains, the availability and price of raw materials, and the recruitment of employees. The year initially began on a hopeful note, with the economy picking up significantly. In a revitalized market environment, parts sales increased sharply in all regions, with new car registrations up 25 to 30 percent year over year, depending on the region. By summer at the latest, however, the effects of high steel prices and the microchip shortage began to manifest themselves.

Steel prices skyrocket

The price of steel only moved in one direction in 2021: up. Steel was already a precious raw material that was difficult to obtain at the beginning of the year. Following the pandemic-related slump in steel demand a year earlier, manufacturers rushed to ramp up steel production again in the first half of 2021 on the back of a significant upturn in the economy. This recovery process was accompanied by a significant price increase; at times, the price of a ton of steel stood at more than double. The price of steel hit historically high levels, particularly in the United States. It wasn't until the end of the year that there were signs that the price increases were slowing down. In Europe, this occurred at a later date and to a lesser extent than in the USA, although the increase was also massive.

Chip shortage: small part – big impact

A lack of microprocessors hit the automotive industry extremely hard, particularly in the second half of 2021. During the first two quarters, it still seemed like the coronavirus crisis in the international automotive industry had been overcome, with production lines ramping up and manufacturers making profits. Since the middle of the year, however, tier suppliers of all levels and OEMs have increasingly suffered from the ongoing chip shortage. This had an impact on Feintool in the form of delayed releases and short-term fluctuations in deliveries. This made it almost impossible to plan production in a stable manner.

In light of the shortage, most automakers had scaled back or even briefly halted production by the fall at the latest, and repeatedly resorted to putting employees on short-time work schedules as a countermeasure. Half-finished cars were placed in storage temporarily. The CAR Institute in Duisburg calculated that there was a demand for more than five million vehicles that could not be built and sold in 2021. The consulting firms BGC and PWC even believed that this figure was more than twice as high – at around 11 million cars.

Fragile supply chains

In general, global supply chains, especially for semiconductors, were extremely fragile throughout the reporting period, with a variety of reasons based on the causes mentioned above. Transport capacities were tight or stalled due to restrictions. Due to this shortage, the shipping prices also increased significantly.

Feintool sets the course for a successful electric-powered future

On December 6, 2021, Feintool and the Sumitomo Group signed a purchase agreement for the acquisition of the Kienle + Spiess Group. By acquiring this company, Feintool is decisively strengthening its market position in the field of electrification as a next-generation technology and increasing its independence from the internal combustion engine market. Founded in 1935 in Sachsenheim, Germany, with production sites in Germany and Hungary, the company is one of the most important suppliers of stamped and die-cast parts used in the manufacture of electric motors. Kienle + Spiess generated sales of approximately 190 million Euros in the 2021 financial year. As a result of the acquisition, Feintool is significantly expanding its electrolamination stamping business and positioning itself as one of Europe's leading manufacturers of rotors and stators for battery-electric vehicles (BEV) and hybrids (HEV), industrial drive systems, and renewable energies.

The established fineblanking and forming technologies will remain an important foundation for vehicles for Feintool. New applications for all-electric vehicles will rapidly develop into the growth driver for Feintool technologies in the coming years. Feintool's acquisition of Kienle + Spiess has, on the one hand, put the company on course for a successful era in the electrification of mobility and, on the other, laid a solid business foundation in the field of rotors/stators.

Feintool is financing the acquisition, which involves retaining all of the company's approximately 900 employees, with a bridge loan that will be repaid in the first half of 2022 via an equity offering. In addition, the equity offering will serve to secure growth investments in the coming years, most of which have already been covered by nominations from customers. The Artemis Group will exercise its subscription rights and has also agreed to underwrite the equity offering up to the full amount.

Kienle + Spiess will be integrated into the group as a part of a systematic process to ensure that Feintool can fully leverage the synergies in a timely manner and quickly reap the benefits of its competitive advantages.

Sustainable corporate governance

Protecting the environment is a cornerstone of Feintool's corporate philosophy. In order to secure our profitable growth over the long term, the principle of ensuring that the Feintool Group's development is sustainable is enshrined in our "Strategy 2030." The company achieved significant milestones and set new ones during the reporting year.

Feintool is extremely active in the field of sustainability and has been communicating these achievements and their impact in an annual report since 2019, closely following the requirements of the Global Reporting Initiative (GRI). Our activities take ESG (environmental, social, and governance) criteria into account and encompass all dimensions of sustainability. We are committed to the overarching goal of a sustainable global economy and have identified four of the United Nations' 17 Sustainable Development Goals (SDGs) as particularly relevant to us: clean energy, decent work and economic growth, innovation and infrastructure, and responsible consumption.

We reached an overarching milestone in achieving our sustainability goals in the fall when we formed a dedicated team to deal with sustainability issues across the Feintool Group. The global team focuses on achieving the objectives that have been set.

Energy consumption is the single largest factor that contributes to our carbon footprint, which is why we aim to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 50 percent across the group by the year 2030.

As a result, we switched all our plants in Germany to green power at the beginning of 2021, while in Switzerland, we are already close to achieving carbon neutrality. Extensive efforts have also been undertaken in this direction in the United States, Asia, and the Czech Republic. With respect to Scope 3, we have started to measure emissions in the supply chain with a focus on our products. In addition, we are also working with a customer on a pilot project to determine the PCF (product carbon footprint) for certain products. By 2030, we want to increase our share of sales for CO2 friendly applications up to 70 %.

In the field of HR, a talent development program will be implemented across the group by 2022 to expand educational opportunities for our existing workforce and to ensure that we remain an attractive employer for prospective junior employees.

On the product side, we did not and will not develop any technologies that aren't subject to numerous environmental and energy management targets. The development of our FB one high-tech press series is a prime example of this. Closely related to this is our work on developing production-ready metallic bipolar plates for fuel cells, which also played a key role in the development of FB one.

Outlook and thanks

The challenges that contributed to the global chip crisis will remain with us over the coming year. We continue to prepare for short-term, pandemic-related challenges that will vary from region to region. These include, for example, problems in the supply chain, volatilities due to further regional and local lockdowns, or the development of raw material and energy prices. According to forecasts, the supply shortages will only gradually ease; in general, economic activity is expected to cease to be affected by the pandemic starting in the second quarter of 2022 and return to a normal level of capacity utilization. The effects of pent-up demand, which in turn will lead to temporary overloads, are to be expected.

We are moving into the future full of optimism. Despite all the challenges, the international automotive sector remains a growth market in which our technological expertise and innovative strength is and – thanks to our clear transformation strategy – will continue to be in demand.

We are tackling the work ahead of us with all our determination and drive in order to keep Feintool on the right track over the long term. We are confident that we will continue to create significant added value for our stakeholders in the future. Our focus is squarely on the performance of our segments and sites. The company needs to acquire new orders and continuously improve its competitiveness. The tasks that lie ahead of us in the coming year are as pivotal as they are promising: an equity offering, the integration of Kienle + Spiess, the company we acquired, a new, more advanced chapter in our sustainability reporting, as well as various strategic measures and transformation activities.

Overall, we have been able to position the Feintool Group so that it can best leverage its strengths in a challenging and changing global environment. The recovery of is likely to continue in financial year 2022. However uncertainties in the global supply chains will persist. In particular, the semiconductor shortages relevant to the automotive industry, as well as the uncertainty in raw material and energy prices will continue to weigh on our business.
Under the conditions outlined above, we expect to generate net sales in the coming financial year of over CHF 800 million and an EBIT margin of over 3.0 %.

We draw our confidence that we will successfully master the numerous challenges from Feintool's innovative corporate culture, which has grown and matured over the course of many years. First and foremost, it is thanks to our 2'500 or so employees worldwide who are fully committed to making Feintool a success each and every day. Yet no less important is the trust placed in us by our customers, partners, and you, our valued shareholders. For this, we thank you all.

ALEXANDER VON WITZLEBEN
Chairman of the Board of Directors

KNUT ZIMMER
CEO

MARKET REPORT

The global automotive sector will grow continuously in the coming years, although the speed and quality of growth will vary from region to region. Short-term economic fluctuations are also to be expected. Electrification and digitization will continue to gain momentum – with the corresponding shift in value creation.

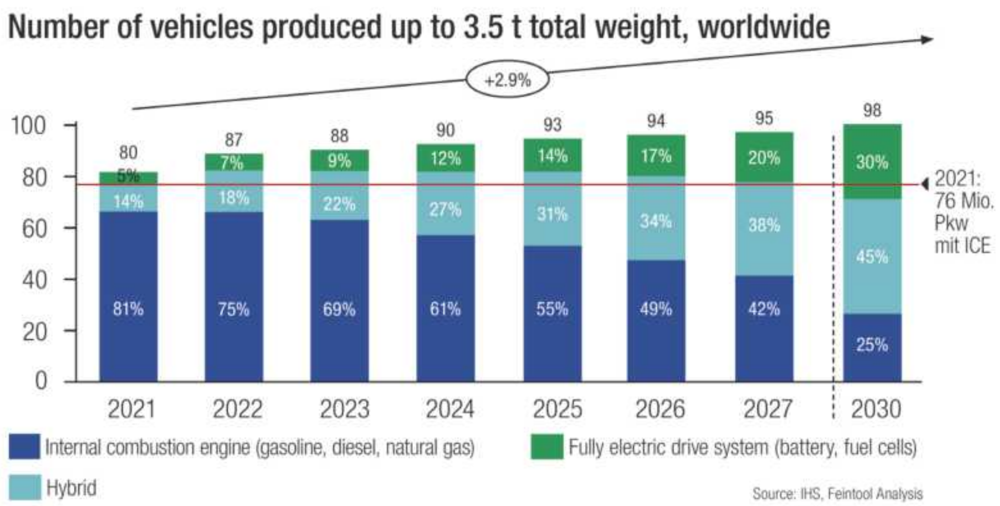
The initial phase of the pandemic hit the automotive industry particularly hard, but a gradual trend toward recovery was evident in many markets shortly thereafter. By the second half of 2020, for example, 76 percent more new cars were sold in China than in the first three months of the year. In Japan, this figure stood at four percent, in the United States at 11 percent, and Europe lagged behind with one percent more newly registered vehicles. Then, in 2021, the situation developed in which supply could no longer keep up with demand. The entire automotive sector was hit by the global shortage of computer chips, which led to a significant drop in sales in the second half of the reporting period; millions of vehicles couldn't be completed and sold.

Even though sales have declined in the recent past due to various factors mentioned above, we can assume that the automotive market will grow in the coming years, with the pandemic accelerating certain developments in the automotive sector. Consumers around the world seem to have rediscovered or redeveloped an appreciation for individual means of transportation, with their own car being the preferred way to get around because of its (health-related) safety and convenience.

Investments in e-mobility will shape the future of the automotive industry

The transformation toward e-mobility has also received a boost. Of 100 million vehicles sold worldwide in 2030, 70 percent will be powered by an internal combustion engine, with hybrid drive systems in turn accounting for around two-thirds of this figure. This means the breakdown of vehicles on our roads in 2030 by drivetrain is likely to be as follows: 45 percent of cars will have hybrid engines, 25 percent will be powered solely by internal combustion engines, and 30 percent will be powered by a battery or fuel cell. Overall, it is safe to assume that the trend toward all-electric drive systems will not only stabilize but accelerate even further. Over the long term, the all-electric drives will displace hybrid drives from the market, in some regions sooner, in others somewhat later. This trend is still subject to certain risks however – electricity price increases, the as yet insufficient level of electricity generated from renewable sources, the lack of charging infrastructure, and the excessively high prices for EVs – all of which could put the brakes on the expected growth.

On the one hand, therefore, components for vehicles with combustion engines (hybrids and vehicles powered solely by combustion engines) will continue to be needed for many years to come, albeit with declining market shares. On the other hand, the demand for components for all-electric drive systems has already reached a considerable level, with a strong upward trend. This means that OEMs need suppliers who can both offer a reliable supply of components for combustion technology and master the technologies needed for the electric-powered future. Feintool can do both and is therefore perfectly prepared for the changes ahead.



FINEBLANKING TECHNOLOGY SEGMENT

An economic environment that remained difficult and was characterized by a reluctance to invest continued to pose major challenges to the segment in 2021. As in the previous reporting period, extensive internal structural adjustments were necessary in view of the limited order backlog. There were a number of bright spots, however – the FB one fineblanking presses are being used by customers and continue to be met with considerable interest from the market. Significant progress was made in the development of production-ready metallic bipolar plates for fuel cells and in research collaborations. The outlook for the future remains optimistic.

Structural optimization measures remain immanent

Orders received by Fineblanking Technology were slightly higher than in the same period last year, which was characterized by investment restraint due to the pandemic. In response to the sustained below-average business performance, the segment continued to make use of short-time work schedules as a tool to cut costs. In view of the precarious situation, the company was also unable to avoid implementing staffing measures to achieve targeted cost reductions.

In addition, the broad-based reorganization measures included streamlining and optimizing processes and intensively pushing ahead with the automation and digitization of business processes. For example, a newly implemented business intelligence tool supports rapidly reporting the segment's financial data. Sales and project management processes were also further digitized. Orders are processed jointly with the customer via our online portal, resulting in greater efficiency, transparency, and customer satisfaction.

Major advances in the manufacture of metallic bipolar plates

The company has completed the development of FEINforming as a cutting-edge high-volume production process for metallic bipolar plates used in fuel cells. As a result, Feintool is offering its customers access to an economical production process for mobile and stationary fuel-cell systems. Close collaboration between the two segments made it possible to execute and deliver the first customer orders in China and Europe. The FB one press series has been modularized for this purpose and can therefore be configured for the production of bipolar plates.

FB one: sales pick up

The latest generation of presses from Feintool, the FB one, established itself as a high-end system for fineblanking over the course of the year. Various presses were sold and delivered to customers. At the end of the reporting period, several lines were being used in production in Italy, the Netherlands, Scandinavia, and Switzerland. It is worth noting that these are regions that have either not invested in new equipment for some time or have only done so extremely conservatively – an encouraging sign of what the future might hold. As was also demonstrated at Blechexpo in Stuttgart, there is significant interest in FB one, although we are still seeing some reluctance to make investment decisions. Meanwhile, customers have confirmed that the FB one regularly exceeds their expectations in terms of energy consumption, performance, and flexibility. Across the entire press range, the segment received a very encouraging number of new orders, especially in the last three months of the year, which allowed Fineblanking Technology to start the new year with a significantly improved order backlog.

New ways of communicating with customers: virtual technology forums

The first edition of the Feintool Technology Forum was held in April. The digital event series focused on Feintool's latest FB one press series. Up to 150 participants each from Europe, Asia, and the United States attended the three-part event, which provided in-depth insights into the FB one itself and also showcased some of the latest options available for removal systems built directly into the press. In addition, we explained in detail how FEINmonitoring and Feintool's Smart Maintenance can be used to optimize system availability and maintenance.

The positive feedback and the number of participants have made a continuation of the Technology Forum inevitable. The second webinar at the beginning of October focused on the FB one's key indicators from the customer's point of view. The FB one fully reflects the paradigm shift in manufacturing toward systematic sustainability through a longer product life and the efficient use of resources, as the press takes energy efficiency and environmental compatibility to an entirely new level, as confirmed by an FB one customer in a video interview during the webinar.

Research and development

Developing new products and processes and improving existing ones is an integral part of the growth strategy of the Fineblanking Technology segment and the Feintool Group as a whole. Research and development activities are geared toward supporting Feintool's position as a technology leader in press and tool making over the long term. When it comes to the development of application-oriented technologies, the focus is on innovative projects that are carried out in close collaboration with universities of applied science, institutes, and industry partners. During the 2021 financial year, resources were mainly deployed in the following research and development projects:

Within the framework of Arbeitskreis Feinschneiden, a development consortium of research institutes, companies, and experts in the field of fineblanking founded by RWTH Aachen University's Laboratory for Machine Tools and Production Engineering (WZL), the "Wear Protection Project" was successfully completed in the fall. A holistic analysis of the interactions between the substrate material, surface modification, coating, and lubricant identified considerable development potential that could significantly increase regrind life. A basic research partnership based on the project results is planned in order to further develop the application of high-hardness stamp materials.

The “Thermofineblanking Project” conducted in collaboration with ETH Zurich aimed to expand the range of materials that can be used in fineblanking by selectively exploiting temperature effects. This project was also completed successfully and is now at the industrialization stage. Over the coming years, the focus will be on commercializing the research results, with profitability at the center of our considerations.

In 2021, the Fineblanking Technology segment initiated a project-based partnership with the University of Applied Sciences and Arts Northwestern Switzerland aimed at developing digital simulations for the production of metallic bipolar plates. Simulations represent a powerful tool for analyzing complex production processes – such as those of the bipolar plate. The partnership aims to significantly increase the cost-effectiveness of bipolar plate production and significantly shorten development times.

Altogether, research and development expenses in the reporting period totaled CHF 4.5 million, which is approximately the same as in the previous year.

Non-automotive, used systems, and new parts world

Fineblanking Technology made progress with its strategy of generating more orders outside the automotive sector, particularly in the luxury watch segment. The segment sold several T200 orbital cold-forming presses. The high level of customer satisfaction reinforces our decision to continue offering this admittedly niche technology in the future.

The modernization of existing systems in the fineblanking market is becoming increasingly important. As a side effect of the crisis and the uncertainties in the market with respect to the transformation to e-mobility, demand for used or overhauled presses is increasing. The segment responded to this development by reorganizing and strengthening the Overhaul unit, which specializes in overhauling and repairing existing fineblanking presses on the market.

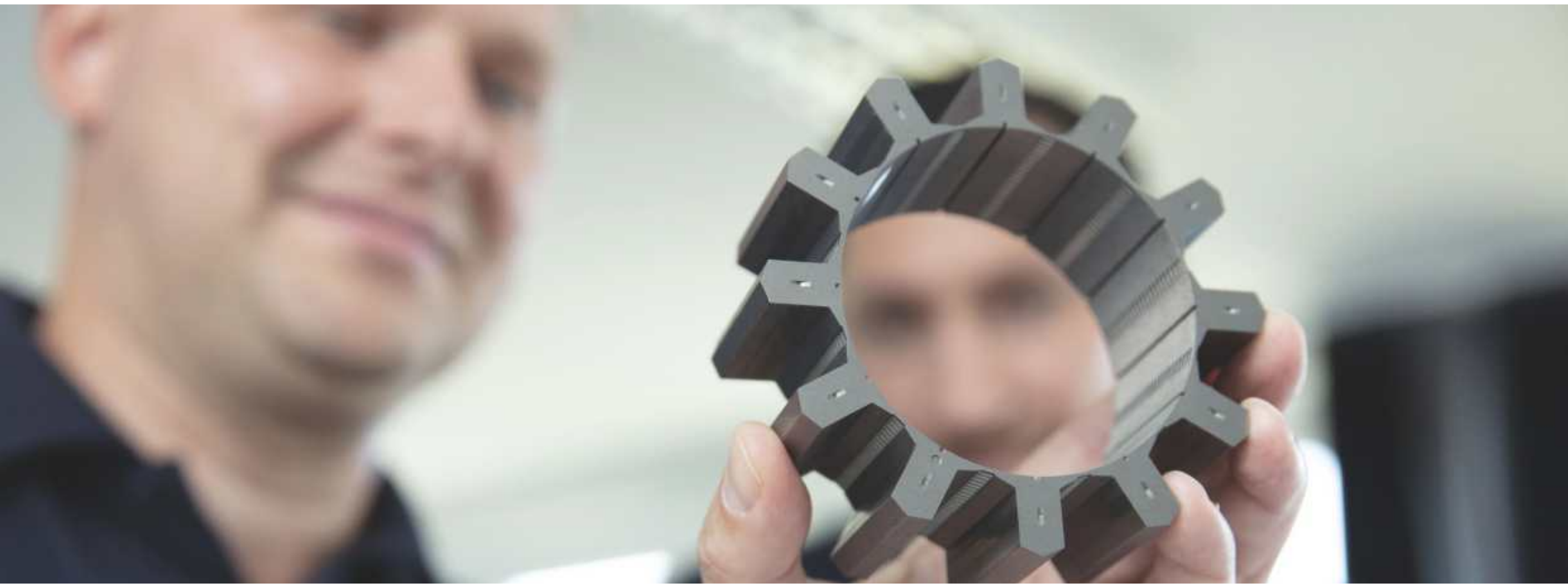
In light of the shift to e-mobility, Fineblanking Technology is also opening up a new parts world that offers the segment new potential, such as copper components in the high-voltage range found in a battery-electric vehicle. The first orders were completed in close collaboration with the System Parts segment, and further orders are currently being processed.

Progress on all fronts

Despite all the challenges ahead, the outlook for the future remains upbeat. The Fineblanking Technology segment has unique global expertise and, thanks to its exceptional innovative strength, will continue to operate as a competitive technology leader in the market in the future. By continuously focusing its business on the electric-powered future – be it in the battery-electric sector or in the fuel-cell sector – and by systematically expanding its customer base, Fineblanking Technology will resume its growth trajectory.

SYSTEM PARTS SEGMENT

A promising start during the first six months was followed by an economic slump in the second half of the year. While the first two quarters saw a marked recovery in the parts business fueled by pent-up demand, in particular supply shortages as well as the effects of the pandemic slowed the upturn once again in the second half of the year. Considering the entire reporting period, the segment was able to close the year successfully thanks to its high degree of flexibility.



Effect of pent-up demand only short-lived

What began to emerge in the final months of 2020 continued in the first half of 2021, with the number of new orders received in the parts business returning to previous levels. Across all of our plants, production levels settled above precrisis levels, albeit with regional differences in throughput. The previous slump brought about by the pandemic appeared to have been overcome, and in step with the renewed increase in customer releases in Europe, the United States, and Asia, production capacities that had previously been underutilized were rapidly ramped up again to meet demand.

But it soon became clear toward the end of the first two quarters that global supply chains were not able to keep pace with the economy. Pent-up demand led to supply shortages in many areas, which caused the global economic engine to stall. High steel prices and a shortage of semiconductors meant that delivery volumes, which had only just recovered, declined once again and carmakers had considerable difficulty fulfilling orders on time. On the labor side, the situation was also up and down. Whereas the plants had difficulty recruiting new staff in the first half of the year, some of them had to introduce short-time work schedules in the second half.

Feintool pressed ahead with the implementation of its Strategy 2030, and as such increasingly focused development and sales activities on battery-electric or fuel-cell-powered vehicles and stationary power units. In these product segments, we are systematically exploiting the growth opportunities afforded by our technologies.

In general, it became apparent that our plants are very resilient and, after two years in crisis mode, have accumulated a wealth of experience that enables them to respond quickly and correctly to challenging events. The measures introduced and implemented to increase efficiency following the previous year's slump in sales did not fail to have an effect and in turn played a considerable role in the segment posting a profit for the year, which was around 21 percent higher than the previous year's result.

The chip shortage in the automotive industry is expected to continue in 2022 and continue to exert pressure on production volumes. We expect the situation to gradually improve, but not before the second half of the year.

Europe

The plants in Germany, Switzerland, and the Czech Republic utilized their production capacities at varying rates throughout the year, and there was a high degree of uncertainty regarding the reliability of customer releases. The volatility of the releases and subsequently of production heavily impacted the plants. Production stoppages and restarts shaped decisions at the plants and did not allow for a consistent employment strategy. At the same time, steel prices in Europe rose significantly this year. Passing on these cost increases required us to engage in intensive discussions with customers yet was ultimately successful.

At the plant in Jessen, Germany, the company made great strides in expanding its production capacities for stamped electrolamination. The installation of a new press into another production line started according to plan and will be completed in the first quarter of 2022 – ensuring that the company will be able to supply components for electric main drives. Meanwhile, the production facility in Ettlingen, Germany, which specializes in small, precise components, proved that fineblanking is also a technology in demand in the emerging era of e-mobility. After an intense preparatory period, the first fineblanked copper parts were delivered to the customer, one of the world's largest suppliers of electronics and mechatronics, in November. Safety-relevant parts for transient protection systems, which operate in a vehicle's high-voltage range, were produced in an unprecedented level of vertical integration and as part of a group-wide, broad-based development collaboration. The modernization of press technology for nominated hybrid drives in Obertshausen was also implemented on schedule. Acceptance of the first section was completed as planned during the reporting year. As a result, the production ramp-up will take place as scheduled.
Creating and systematically exploiting synergies across plants and efficiently organizing the entire value chain are two of the System Parts segment's greatest strengths. The System Parts Europe business unit received the Automotive Lean Production Award in the "Business Unit Transformation" category – proof that anticipating and shaping changing customer needs and conditions is part of Feintool's DNA.

Asia

In light of the above-average growth in e-mobility in China compared with the rest of the world, we expanded an area of our Chinese plant in Taicang near Shanghai into a center of excellence for e-mobility applications. Two new punch presses were installed in the middle of the year, which were used to complete their first new orders only a short time later. As a result, we have laid the foundations for further growth in China in the field of electrified vehicles. The market for hydrogen and fuel-cell applications in China is also developing extremely dynamically and offers considerable potential. Feintool signed a memorandum of understanding with a laser specialist with the aim of establishing a development partnership in this field. Within the framework of a shop-in-shop concept also located at the Feintool plant in Taicang, the company will be incorporating the laser specialist's expertise into the production of bipolar plates. In an integrated process consisting of Feintool's FEINforming production process and laser welding, the individual plates will be welded together to form bipolar plates and tested for tightness.

The "Open Day" in Taicang in September was a successful informational event that also centered on Feintool's strategic focus on e-mobility. Here, more than 50 invited guests from the automotive and supplier industry were able to gain a comprehensive idea of Feintool's electrolamination expertise.

System Parts Asia also had good news to report. A new order for one of the most important OEMs will ensure that the Japanese plants maintain a baseline level of capacity utilization for the next few years to come. As an expression of the business relationship between Feintool and its customers – a relationship based on mutual appreciation and long-standing trust – our Japanese plants were honored to receive the Imasen Award in July. Imasen Electric Industrial Co. Ltd., which specializes in seat mechanisms, gives the award to those customers who consistently optimize costs over the long term while increasing profitability.

USA

System Parts USA acquired a solid number of new orders for fineblanking and forming components during the reporting year. The applications range from drivetrain components to seat components for passenger cars. The business unit succeeded in acquiring new customers and new scheduled product launches led to further orders. Japanese customers have now become an important pillar of our business in the USA, and we will continue to expand these relationships in the future.

Although electric vehicles do not have the same level of market penetration in the USA as in Europe and Asia (at least not yet), System Parts USA's appearance at the Electric & Hybrid Vehicle Technology trade show placed a strong emphasis on fineblanked and stamped components for electric drive systems. Hundreds of suppliers from the electric and hybrid vehicle sectors also attended the event. We expect to see significant growth in the United States and the other automotive regions in the coming years. The transformation to more EVs will pick up speed in the US as well.

Ford Motor Company presented Feintool with its coveted Q1 Award. Q1 certification is awarded to Ford suppliers who, beyond the requirements of ISO and TS certification, demonstrate excellence in five defined areas. This nomination is a prerequisite for working with this customer. As a result, Ford has already placed its first new orders with Feintool in the USA.

Outlook

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 for this and reached a milestone – Feintool is moving into the future with streamlined structures and processes, state-of-the-art machinery, and innovative mobility concepts. With its technologies of fineblanking, including FEINforming, forming, and electrolamination stamping technologies, Feintool is perfectly positioned for further growth thanks to its openness to new applications. The transformation continues to pose a challenge. We are creating the conditions necessary to allocate our development and production capacities to growth areas in the field of electric vehicles.

HUMAN RESOURCES

Expanding horizons also applies to Feintool's most important resource – its employees. Feintool conducts a number of activities to ensure its employees develop both personally and professionally. In 2021, Feintool implemented and launched key measures and projects in order to continue positioning the company as a strong employer brand.

A top employer

Our company's success is largely thanks to our highly competent and motivated employees. The importance of their interest and long-term loyalty to Feintool cannot be overstated in view of a steadily dwindling supply of skilled workers. As competition for suitable employees intensifies, it is more important than ever for Feintool to be perceived as an attractive employer. For this reason, we initiated various measures in 2021 to further increase the satisfaction and dedication of our employees and all those who have yet to join our company.

Based on the employee survey conducted in the spring, a group of 155 employee volunteers set up teams to discuss and draw up specific measures for their sites. We were extremely pleased with the fact that 72 percent of employees participated in the survey, which on the one hand ensures that there is broad support for the upcoming implementation of the measures, and on the other hand guarantees that solutions will be found that meet the objectives. At the Tianjin plant in China, for example, a team is working to improve the advanced training situation. New hands-on internal and external vocational and advanced training courses, especially for production employees, will be added to the portfolio in the first quarter of the coming year.

Furthermore, a global talent management program was conceived to support employees in their professional development at Feintool. The objectives include improved employee satisfaction, a higher degree of innovation, and a lasting increase in productivity thanks to motivated employees. The talent program consists of a core program and individual training aimed at improving professional expertise. The core program guides and supports participants along various modules on topics such as project work, business leadership, or change management.

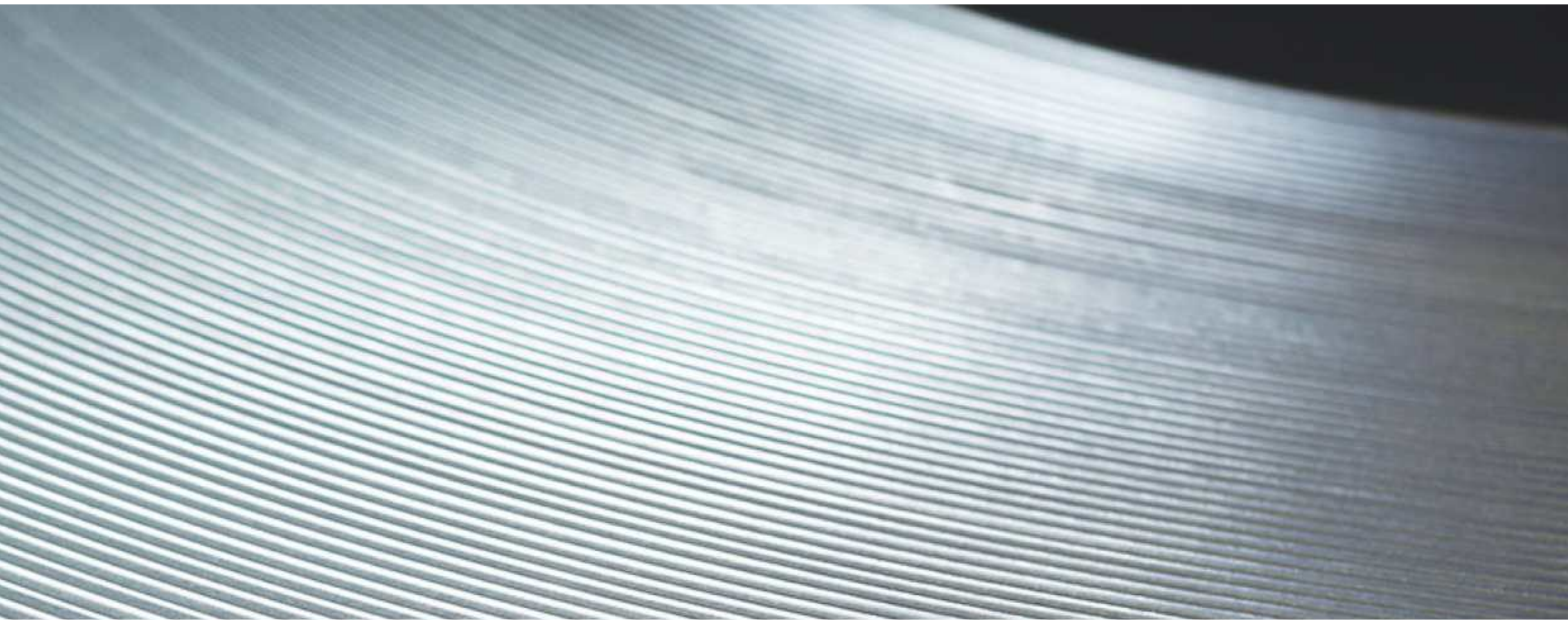
Thanks to a variety of different measures to combat the spread of the coronavirus at our plants that are individually tailored to each region, we have been able to prevent outbreaks of the virus at our plants and thus protect the health of our employees.

Various regional digitization projects in the area of HR are helping to further reduce administrative processes and thus free up more time for employee support. For example, a standardized payroll system – ADP – was introduced at all German sites. The system combines payroll, HR administration and time management processes and simplifies them to a great extent.

In terms of training, Feintool relies on the dual system - consisting of classroom training at an external institution and practical experience in Feintool plants. In Switzerland, 8 apprentices successfully completed their training in 2021 in the occupations of automation technician, polymachinist, design engineer, commercial clerk and IT specialist. In the German plants, a total of 65 young professionals were in training in the year under review, 15 of whom successfully completed their apprenticeships (machine and plant operator, electronics technician, toolmaker, cutting machine operator and industrial clerk). For the past four years, Feintool has been training press and grinding machine operators and toolmakers together with the Chien-Shiung Institute of Technology in Taicang, China. At its American sites, Feintool also works closely with local technical schools to train machinists. Across the Group, 89 young people were undergoing training.

FEINTOOL GROUP

Strong growth in sales due to increased steel prices – pleasantly positive operating result with around 6 % EBIT



FINANCIAL REVIEW

as at December 31, 2021

BUSINESS PERFORMANCE

General information

The consolidated financial statements for 2021 apply to Feintool International Holding AG and its subsidiaries. They cover the period January 1 to December 31, 2021.

COVID-19 pandemic

The issues in the supply chain continued in 2021. In fact, we actually felt this somewhat more strongly in the second half of 2021 than in the first half of the year. In particular, the semiconductor shortage had a strong negative impact on the automotive sector in the second half of 2021. This then led to the introduction of short-time work schedules during the second half of the year, particularly in Europe. The shortage of chips is still only slowly recovering and will continue to have an impact on us in 2022.

One-off effects

In 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. In the first half of 2021, the government assured the company that this loan would not have to be repaid. This resulted in other operating income of CHF 7.6 million.

In Switzerland, Feintool submitted two applications for emergency aid for COVID-19 hardship cases in 2021. The Canton of Bern's Office of Economic Affairs approved these applications and Feintool received a credit of CHF 3.9 million in total. This amount is also reported in other operating income.

Feintool has begun implementing its Strategy 2030. A key element of this strategy is for the company to capitalize on the rapid growth of battery-electric vehicles. In this context, Feintool conducted an audit to assess the value of its manufacturing equipment. In the process, systems were identified which, as expected, can no longer be fully utilized due to the company's transformation. This led to impairment losses on manufacturing equipment totaling CHF 12.1 million in the System Parts segment in Europe.

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

Companies' willingness to make investments remained low due to uncertainties in the fineblanking supply chains. The Fineblanking Technology segment received orders valued at CHF 42.7 million (previous year: CHF 32.5 million), an increase of 32.1 % adjusted for currency effects. Orders from the System Parts segment accounted for CHF 4.8 million (previous year: CHF 7.9 million) of this total. As a result, third-party orders increased by 55.1 % to CHF 37.9 million (previous year: CHF 24.5 million) in the local currency. With a share of 11.3 % (previous year: 24.5 %), the importance of the System Parts segment is declining compared to the previous year.

The order backlog increased by 56.0 % to CHF 16.8 million (previous year: CHF 10.7 million). The current order backlog is insufficient and represents a workload of approximately three to four months.

Expected releases in the high-volume parts segment over the next six months total CHF 307.8 million (previous year: 253.1 million). This represents a year-over-year increase of 21.6 %. 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 performance

Consolidated sales rose in the reporting currency by 19.5 % to CHF 588.1 million (previous year CHF 492.0 million). Half of the growth was due to an increase in volume while the other half of the increase came from higher material prices and, consequently, higher sales prices. During the reporting year, currency effects had a negative impact of CHF 0.2 million, equal to 0.1 %. As a result, Feintool recorded an increase in net sales of 19.6 % expressed in local currency. The System Parts segment generated 94.4 % of third-party sales (previous year: 93.6 %), while Feinblanking Technology was responsible for 5.6 % (previous year: 6.4 %).

Net sales in the System Parts segment increased by 20.6 % to CHF 559.8 million (previous year: CHF 464.3 million). Negative currency effects only totaled CHF 0.1 million, resulting in a 20.6 % increase in the segment's sales expressed in local currency. In Europe, parts sales increased by 14.4 %, from CHF 272.9 million to CHF 312.2 million. Currency effects had a positive impact of CHF 2.1 million; in local currency, sales in Europe thus increased by 13.6 %. Business in North America even increased by 33.0 % in the reporting currency to CHF 170.1 million (previous year: CHF 127.9 million). The currency effect of the US dollar in the amount of CHF 3.0 million had a negative impact on sales, resulting in an increase in sales in local currency of 35.4 %. Significantly higher steel prices, which are passed on to customers, also figure into this increase in sales in the United States. Net sales in Asia increased by 16.9 % to CHF 77.7 million (previous year: CHF 66.5 million). Currency effects had a positive impact of CHF 0.9 million. Business in Asia, adjusted for currency effects, thus grew by 15.6 %.

Net sales generated by the Fineblanking Technology segment decreased to CHF 37.7 million (previous year: CHF 44.2 million). The translation effects of foreign currencies are negligible in the capital goods segment. Intra-group sales with the System Parts segment decreased by CHF 4.9 million, resulting in a share of 13.1 % (previous year: 28.5 %) in percentage terms. Sales to third-party customers increased by 3.7 % to CHF 32.7 million.

Overall, the Feintool Group sold products and services with a total value of CHF 314.5 million in Europe, slightly decreasing the region's share to 53.5 % (previous year: CHF 274.4 million or 55.8 %). With sales of CHF 174.8 million, or 29.7 % of total sales (previous year: CHF 134.7 million or 27.4 %), the share of sales generated in North America increased. Sales in Asia decreased to CHF 98.8 million, thus this region's share of total sales remained stable at 16.8 % (previous year: CHF 82.9 million and 16.8 %, respectively).

Key expense items

Material is by far the largest cost component for Feintool, whereby material costs also include costs for external processing of parts such as tempering or coating. In the reporting year, the material-to-sales ratio decreased from 44.2 % to 43.4 % – taking changes in inventories into account – and the cost of materials totaled CHF 255.4 million (previous year: CHF 217.5 million).

The reporting year was marked by a sharp increase in steel prices. 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.

Labor costs totaled CHF 179.2 million (previous year: CHF 159.0 million excluding one-off effects). Significantly higher sales (driven by high steel prices) caused the decline in labor costs as a percentage of sales from 32.3 % to 30.5 %. Short-time work schedules at certain European sites helped to make labor costs more flexible, but across the group, short-time work compensation was lower than in the previous year.

In the System Parts segment, labor costs increased by CHF 23.2 million to CHF 154.9 million. The ratio of labor costs to sales fell from 29.1 % to 27.7 % in the reporting period. Efficiency improvements, particularly at the newer plants in China and at the Oelsnitz plant, had a significant positive impact. The construction of a new plant in the Czech Republic continues to have a disproportionate impact on labor costs.

In the Fineblanking Technology segment, labor costs increased by CHF 0.4 million to CHF 16.2 million (previous year: CHF 16.6 million). As a percentage of net sales, labor costs increased significantly from 37.5 % to 43.0 %. The sales decline is the main reason for this increase. In this technology-driven segment, making labor costs more flexible continues to be a challenge despite the utilization of short-time work schedules. In addition, Feintool intensified its R&D activities, particularly with regard to the production of metallic bipolar plates for fuel cells.

Other operating expenses rose by CHF 4.6 million to CHF 71.2 million. As a percentage of sales, however, the ratio fell slightly to 12.1 % (previous year: 13.5 %). Many components of operating expenses, such as lease payments or IT expenses, do not vary substantially in relation to sales. Other operating income rose sharply to CHF 13.4 million (previous year: CHF 1.3 million). Other operating income includes two one-off effects. Feintool USA received a loan of CHF 7.6 million under the PPP program that it now no longer has to repay. In addition, Feintool Technologie AG in Switzerland received CHF 3.9 million in emergency aid.

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

Operating earnings before interest, taxes, depreciation, and amortization (EBITDA) increased significantly by CHF 32.4 million to CHF 85.5 million in the reporting year (previous year: CHF 53.2 million). At 14.5 %, the operating EBITDA margin in the financial year was significantly higher than in the previous year (10.8 %). There were three main reasons for this significant increase. Firstly, volume growth led to better capacity utilization at the plants and thus to increased profitability. Secondly, the company was able to achieve further operational process improvements. And thirdly, Feintool was able to benefit from passing on higher steel prices to customers, often at the same time. As a result, existing raw material inventories were reflected in the cost of materials at lower prices. Taking positive one-off effects of CHF 11.6 million into account, operating earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled CHF 97.1 million, corresponding to an EBITDA margin of 16.5 %.

Depreciation, amortization, and impairment losses

Depreciation and amortization increased to CHF 51.1 million in the reporting year (previous year: CHF 50.3 million), caused by the significant capital expenditures in previous years. Relative to sales, amortization/depreciation fell from 10.2 % to 8.7 %. At CHF 57.4 million (previous year: CHF 43.3 million), capital expenditures stood slightly above depreciation and amortization. Due to overcapacities at a European manufacturing site, one-off impairment losses of CHF 12.1 million were also recognized in 2021.

Earnings before interest and taxes (EBIT)

Feintool generated operating earnings before interest and taxes (EBIT) of CHF 34.4 million (previous year: CHF 3.0 million). The negative currency effect at the EBIT level amounted to CHF 0.5 million. Feintool's highly capital-intensive business model increases the volatility of its operating earnings as a result of largely fixed depreciation and amortization. Thus, the operating EBIT margin stood at 5.9 % (previous year: 0.6 %). Taking the one-off effects into account, EBIT totaled CHF 33.9 million, corresponding to an EBIT margin of 5.8 %.

Operating earnings generated by the System Parts segment rose by CHF 29.5 million to CHF 53.8 million (previous year: CHF 16.7 million). As a result, the EBIT margin in the parts business improved to 8.3 % (previous year: 3.6 %).

The Fineblanking Technology segment, which continues to suffer from companies' lack of willingness to invest in the fineblanking sector, posted an operating loss (EBIT) of CHF 4.3 million (previous year: loss of CHF 4.9 million). Research expenses were similar to the previous year, coming in at CHF 4.5 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 9.6 million (previous year: CHF 9.0 million). The increase comes mainly from the costs of auditing and preparing for the acquisition of Kienle + Spiess GmbH.

Financial result

The net financial result of CHF -4.6 million decreased slightly compared to the previous year (CHF -5.3 million). Adjusted for currency effects, the negative net financial result increased by CHF 0.9 million to CHF -5.7 million (previous year: CHF -4.8 million). With net debt remaining similar on average, interest expenses increased significantly due to the temporary suspension of covenants on the syndicated loan. The high volatility in various currencies led to currency gains of

CHF 1.1 million in the reporting year (previous year: currency loss of 0.5 million). As a result, net debt at the end of the financial year stood at CHF 120.7 million, CHF 26.2 million lower than at the end of the previous year (CHF 146.9 million).

Taxes

The Feintool companies' overall tax expense totaled CHF 10.1 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. 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 2.6 million (previous year: CHF 2.4 million). This corresponds to a tax rate of 34.5 %.

Group result

All in all, including the one-off effects, the Feintool Group generated net income of CHF 19.2 million (previous year: loss of CHF 3.9 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets increased by CHF 7.4 million, equal to 1.1 %, to a total of CHF 684.4 million (previous year: CHF 677.1 million). The sharp decline in the value of the euro against the reporting currency at the end of the year had a significant impact on most items.

Current assets increased from CHF 231.9 million in the previous year to CHF 253.1 million. The individual items developed quite differently in some cases, however. Receivables increased – due to higher steel prices – to CHF 92.9 million (previous year: CHF 82.1 million). As a percentage of sales, receivables decreased slightly from 16.7 % to 15.8 %. The lower level of sales in the second half of the year had a significant impact on this figure. The age structure of receivables improved in the reporting period, with 15.4 % being overdue in the reporting period (previous year: 20.1 %), of which 58.4 % were overdue by less than 30 days. Inventories and contract assets also increased significantly by CHF 24.7 million to CHF 102.7 million (previous year: CHF 78.0 million) as a result of higher steel prices. Prepaid expenses and accrued income decreased to CHF 3.5 million (previous year: CHF 8.2 million). Cash and cash equivalents at the end of the reporting year totaled CHF 51.8 million (previous year: CHF 61.3 million).

Operating net working capital increased by CHF 15.5 million to CHF 84.4 million (previous year: CHF 68.9 million), thus amounting to 14.3 % of sales (previous year: 14.0 %). In particular, the sharp rise in steel prices had a negative impact on this key figure. This is reflected in the increase in receivables by CHF 16.4 million and in the increase in inventories (+ CHF 22.7 million). The increase in trade payables (+ CHF 19.2 million) had a positive impact on net working capital.

Total noncurrent assets decreased significantly by CHF 13.8 million or 3.1 % to CHF 431.3 million (previous year: CHF 445.2 million). Property, plant, and equipment fell by CHF 3.7 million to CHF 331.2 million. Impairment losses of CHF 12.1 million on assets whose capacities can no longer be fully utilized exacerbated this decline. Intangible assets decreased by CHF 5.6 million to CHF 85.9 million. Financial assets increased slightly and now amount to CHF 4.9 million. Deferred tax assets decreased by CHF 5.3 million to CHF 9.3 million (previous year: CHF 14.6 million)

On the liabilities side, debt decreased by CHF 37.1 million to CHF 346.0 million (previous year: CHF 383.2 million). Trade payables and other liabilities decreased by CHF 18.4 million and amounted to CHF 83.1 million. Tax liabilities, deferred income, current and noncurrent provisions, and deferred tax liabilities increased by CHF 7.4 million to CHF 67.5 million. Liabilities for employee benefits (IAS 19) decreased significantly by CHF 27.2 million to CHF 22.9 million. The Swiss companies paid a restructuring contribution of CHF 3.2 million to the pension fund. The revaluation of employee benefits recognized directly in equity had a positive impact of CHF 23.7 million. This amount stems mainly from the positive impact of demographic assumptions and higher expected returns in the Swiss pension fund.

Interest-bearing debt decreased by CHF 35.7 million to CHF 172.5 million (previous year: CHF 208.2 million). CHF 20.7 million of the interest-bearing liabilities were of a short-term nature, whereby the syndicated loan in the amount of CHF 27.9 million is presented as long-term in line with economic conditions. Noncurrent interest-bearing liabilities totaled CHF 162.6 million for the reporting period. Taking available cash and cash equivalents into account, net debt decreased markedly by CHF 26.2 million and thus totaled CHF 120.7 million (previous year: CHF 146.9 million). With CHF 162.6 million in cash and cash equivalents and available, confirmed lines of credit, Feintool has considerable financial flexibility (previous year: CHF 126.9 million).

Shareholder's equity stood at CHF 338.4 million on December 31, 2021 (previous year: CHF 293.9 million). As a result, the equity ratio increased from 43.4 % to 49.4 %. The Statement of Changes in Equity shows that the net income from operations increased equity by CHF 19.2 million. Currency translation differences of CHF 6.8 million also had an impact. The revaluation of employee benefit obligations resulted in a positive effect of CHF 18.4 million. The other items had a small positive effect overall (CHF 0.1 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities increased significantly to CHF 75.8 million (previous year: CHF 41.5 million) as a result of the significantly improved result. In contrast to the previous year, net working capital increased by CHF 12.5 million in the reporting period (previous year: decrease of CHF 3.1 million), in particular due to higher steel prices. At CHF 37.4 million (previous year: CHF 40.2 million), cash flow from investing activities stood CHF 2.8 million lower than in the previous year. Overall, this resulted in a positive operating cash flow of CHF 38.3 million (previous year: cash inflow of CHF 1.3 million). Feintool was therefore able to finance its capital expenditures from operating cash flow in the reporting year.

EMPLOYEES

The number of employees (excluding trainees) decreased by 92 to 2 478 in the financial year (previous year: 2 570). In addition, 89 young people (previous year: 100) are undergoing vocational training at our companies. The System Parts segment had 2 307 employees, which corresponds to a decline of 78 employees. The Fineblanking Technology segment had 137 employees at the end of the year (-15 compared to the previous year). A total of 34 employees (+1) work in units that are not directly involved in the operating business. Feintool had 1 492 employees in Europe at the end of 2021, equal to 60.2 % of the total workforce, and 66 fewer than in the previous year. Of these, 331 were employed in Switzerland (previous year: 376). In the United States, the number of employees fell by 22 to 533 (equal to a decrease of 21.5 %), while in Asia the number decreased by 5 to 453 (equal to a decline of 18.3 %).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2021 financial year (January 1 to December 31, 2021)

	Note	2021 in CHF 1 000	in %	2020 in CHF 1 000	in %
Net sales	2	**588 058**	**100.0**	**491 965**	**100.0**
Change in finished and semi-finished goods and work in progress		16 713		-9 358	
Capitalized self-generated assets	3	1 442		3 043	
Material expenses		-272 090		-208 155	
Personnel expenses	4	-179 190		-152 731	
Other operating expenses	5	-71 171		-66 534	
Other operating income [1]	6	13 367		1 269	
Earnings before interest, taxes, depreciation and amortization (EBITDA) [2]		**97 129**	**16.5**	**59 499**	**12.1**
Depreciation and amortization	16, 17	-51 103		-50 254	
Impairment of tangible assets [3]	16	-12 103		-5 932	
Operating profit (EBIT) [4]		**33 923**	**5.8**	**3 313**	**0.7**
Financial expenses	7	-17 317		-16 270	
Financial income	8	12 725		11 002	
Earnings before taxes		**29 331**	**5.0**	**-1 955**	**-0.4**
Income taxes	9	-10 120		-1 994	
Net income attributable to Feintool Holding shareholders		**19 211**	**3.3**	**-3 949**	**-0.8**

[1] In the 2020 financial year, 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. In the first half of 2021, the government assured the company that this loan would not have to be repaid. Feintool also received CHF 3.9 million in immediate aid from the Swiss government in the financial year 2021 to mitigate the effects of the COVID-19 pandemic.
In addition, please refer to section 1 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 one plant, an impairment loss on manufacturing equipment totaling CHF 12.1 million was recognized in the financial year 2021. 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	2021 in CHF 1 000	in %	2020 in CHF 1 000	in %
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences		6 773		-15 350	
Income taxes on recycable items		–		-798	
Items that may not be reclassified to profit or loss					
Reassessment of net defined benefit liability (asset)	23	23 743		5 141	
Income taxes on non recycable items		-5 326		-1 077	
Total other comprehensive income		**25 190**		**-12 084**	
Total comprehensive income attributable to Feintool Holding shareholders		**44 400**		**-16 033**	
Net income attributable to Feintool Holding shareholders		19 211		-3 949	
Total comprehensive income attributable to Feintool Holding shareholders		44 400		-16 033	
Basic earnings per share (in CHF)	11	3.92		-0.80	
Diluted earnings per share (in CHF)	11	3.92		-0.80	
Number of employees as of December 31					
Number of employees excl. 89 (previous year 100) trainees	4	**2 478**		**2 570**	

CONSOLIDATED BALANCE SHEET

for the 2021 financial year (as at December 31, 2021)

	Note	12/31/2021 in CHF 1 000	in %	12/31/2020 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		51 763		61 276	
Trade and other receivables	12	92 925		82 107	
Tax receivables		2 231		2 301	
Inventories	13	98 926		69 515	
Net contract assets	14	3 756		8 441	
Prepaid expenses and accrued income	15	3 452		8 225	
Total current assets		**253 053**	**37.0**	**231 865**	**34.2**
Non-current assets					
Property, plant and equipment	16	331 183		334 857	
Intangible assets	17	85 910		91 462	
Financial assets	18	4 925		4 234	
Deferred tax assets	10	9 326		14 633	
Total non-current assets		**431 344**	**63.0**	**445 186**	**65.8**
TOTAL ASSETS		**684 397**	**100.0**	**677 051**	**100.0**
LIABILITIES					
Current liabilities					
Financial liabilities	19	20 703		66 990	
Trade and other payables	20	83 129		64 742	
Tax liabilities		6 651		3 852	
Accrued expenses and deferred income	21	30 951		30 813	
Current provisions	22	9 977		6 179	
Total current liabilities		**151 411**	**22.1**	**172 576**	**25.5**
Non-current liabilities					
Financial liabilities	19	151 808		141 225	
Non-current provisions	22	2 443		2 388	
Deferred tax liabilities	10	17 485		16 878	
Employee benefit liabilities	23	22 883		50 099	
Total non-current liabilities		**194 619**	**28.5**	**210 590**	**31.1**
Total liabilities		**346 030**	**50.6**	**383 166**	**56.6**
Equity					
Share capital	24	49 148		49 148	
Capital reserves		116 729		116 788	
Retained earnings		220 348		182 720	
Treasury shares		-475		-615	
Translation differences		-47 383		-54 156	
Total equity		**338 367**	**49.4**	**293 885**	**43.4**
TOTAL EQUITY AND LIABILITIES		**684 397**	**100.0**	**677 051**	**100.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2021 financial year (January 1 to December 31, 2021)

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Retained earnings	Translation differences	Total equity
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 [1]	–	–	–	–	–	–
(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**
January 1, 2021	**49 148**	**-615**	**116 788**	**182 720**	**-54 156**	**293 885**
Translation differences	–	–	–	–	6 773	6 773
Reassessment of net defined benefit liability (asset), net of tax	–	–	–	18 417	–	18 417
Total other comprehensive income	**–**	**–**	**–**	**18 417**	**6 773**	**25 190**
Net income attributable to Feintool Holding shareholders	–	–	–	19 211	–	19 211
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**37 628**	**6 773**	**44 400**
(Purchase)/sale of treasury shares	–	-666	–	–	–	-666
Share-based management remuneration [2]	–	806	-59	–	–	747
December 31, 2021	**49 148**	**-475**	**116 729**	**220 348**	**-47 383**	**338 367**

[1] 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.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 2021 financial year (January 1 to December 31, 2021)

	Note	2021 in CHF 1 000	2020 in CHF 1 000
Net income of the Feintool Group		19 211	-3 949
Depreciation, amortization and impairment	16, 17	63 206	56 186
(Gain)/loss on disposal of property, plant and equipment	5, 6	946	140
Increase/(decrease) in provisions and valuation allowances [1]		4 207	-7 922
Restructuring contribution to pension plan	23	-3 200	-4 800
Other non-cash changes		-4 051	-147
Income taxes	9	10 120	1 994
Received / paid Income taxes		-6 772	-521
Financial result		4 594	3 646
Cash flows from operating activities before change in net working capital (NWC)		**88 261**	**44 627**
Increase/decrease in:			
Accounts receivables	12	-10 785	-62
Inventories and net contract assets	13, 14	-25 546	12 235
Prepaid and accrued expenses and income	15, 21	6 943	-4 148
Accounts payables	20	16 886	-15 648
Other net working capital		–	4 483
Cash flows from operating activities		**75 759**	**41 487**
Investments in property, plant and equipment	16	-37 564	-40 513
Disposals of property, plant and equipment	16	1 604	2 241
Investments in intangible assets	17	-1 570	-1 607
Disposals of intangible assets	17	8	83
Increase in financial assets		-293	-761
Decrease in financial assets		274	282
Interest received		98	50
Other financial income		11	–
Cash flows from investing activities		**-37 432**	**-40 225**
Free cash flow [1]		**38 327**	**1 262**

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

	Note	2021 in CHF 1 000	2020 in CHF 1 000
Purchase of treasury shares		-666	-635
Other changes in equity		-59	–
Borrowing of interest-bearing liabilities	19	15 916	67 958
Repayment of interest-bearing liabilities	19	-49 961	-27 051
Payment of financial lease liabilities		-8 333	-15 854
Interest paid		-5 210	-3 696
Cash flows from financing activities		**-48 313**	**20 722**
Translation differences Cash and cash equivalents		473	-4 184
Change in cash and cash equivalents		**-9 513**	**17 800**
Cash and cash equivalents at the beginning of the period		61 276	43 476
Cash and cash equivalents at the end of the period		51 763	61 276

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

The items Financial result, Interest paid and Interest received were not reported as separate items in the consolidated cash flow statement for the financial year 2020. These items are reported separately in the reporting year, with the previous year's figures having been adjusted accordingly within the meaning of IAS 1.41. In this context, it has also been decided that these items will now be reported in cash flows from investing activities (Interest received) and cash flows from financing activities (Interest paid), respectively, instead of cash flows from operating activities as previously. This means that the free cash flow for the period 2020 has increased by TCHF 3 696 and the cash flows from financing activities has decreased by TCHF 3 696.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2021

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, 2021, 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 2 478. At its various locations, Feintool provides training for 89 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, 2021, which were prepared in accordance with consistent accounting policies.

The consolidated financial statements are prepared in accordance with Swiss law and the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting principles of the SIX Swiss Exchange Listing Regulations have also been observed. In the management's opinion, the consolidated financial statements give a true and fair view of the Group's financial position, results of operations and cash flows.

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

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

FINANCIAL COVENANTS

Further information on financial covenants is provided in section 19 of the Notes. As of December, 31st 2021, 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 uses the instrument of the "patent box", which results in a slight tax relief.
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 2021, Feintool adopted the following new Standards and Interpretations:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (January 1, 2021)
- IFRS 16 – COVID-19-Related Rent Concessions (January 1, 2021)

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:

- 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, 2023)
- IAS 1 – Classification of Liabilities as Current or Non-current (January 1, 2023)
- IAS 8 – Definition of Accounting Estimate (January 1, 2023)
- IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (January 1, 2023)
- IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (January 1, 2023)

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 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.

As of January 1st 2021 HL Holding AG was absorbed by System Parts Lyss AG.

METHOD OF CONSOLIDATION

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

ACQUISITIONS AND GOODWILL

Newly acquired companies are consolidated using the acquisition method. The balance sheet and income statement are consolidated at the date on which control is obtained. The difference between the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiring party, on the one hand, and the purchase price, on the other, is recognized as goodwill. Acquisition costs are charged immediately to the statement of comprehensive income. After initial measurement, goodwill is reported at cost less any impairments. Goodwill is tested for impairment annually by calculating the recoverable amount (higher of fair value minus disposal costs and value in use) of the relevant cash generating units or group of cash generating units. Where the recoverable amount is less than the carrying amount, an impairment is recognized in the statement of comprehensive income.

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

		2021		2020	
		Closing rate	Average rate	Closing rate	Average rate
China	CNY 100	14.3219	14.2153	13.4471	13.5168
Eurozone	EUR 1	1.0331	1.0796	1.0802	1.0717
Japan	JPY 100	0.7924	0.8260	0.8540	0.8890
Czech Republic	CZK 100	4.1560	4.2114	4.1163	4.0388
USA	USD 1	0.9121	0.9152	0.8803	0.9316

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 15 497, the Feintool Group's European subsidiaries sold receivables valued at kCHF 12 786 (previous year kCHF 9 034) as of December 31, 2021, of which kCHF 1 428 (previous year kCHF 3 787) 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 242, 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.
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 2021 in CHF 1 000	Fineblanking Technology	System Parts	Total segments	Finance/ Other	Eliminations	Total Group
Net sales	37 662	559 825	597 487	–	-9 429	588 058
- Intercompany income	-4 918	-4 511	-9 429	–	9 429	–
Total net sales – Group [1]	**32 744**	**555 314**	**588 058**	**–**	**–**	**588 058**
EBITDA before extraordinary effects	**-2 489**	**95 275**	**92 786**	**-7 273**	**39**	**85 552**
One-off effects Covid support in the financial year [2]	3 928	7 649	11 577	–	–	11 577
EBITDA after extraordinary effects	**1 439**	**102 924**	**104 363**	**-7 273**	**39**	**97 129**
Depreciation and amortization	-1 816	-49 029	-50 845	-2 438	2 180	-51 103
Impairment of tangible assets [3]	–	-12 103	-12 103	–	–	-12 103
Operating profit (EBIT) before amendments	**-4 305**	**46 246**	**41 941**	**-9 711**	**2 219**	**34 450**
One-off effects in the financial year [2] [3]	3 928	-4 454	-526	–	–	-526
Operating profit (EBIT) after amendments	**-377**	**41 792**	**41 415**	**-9 711**	**2 219**	**33 923**
Financial expenses						-17 317
Financial income						12 725
Income taxes						-10 120
Net income attributable to Feintool Holding shareholders						**19 211**
Assets	**51 413**	**607 834**	**659 247**	**257 168**	**-232 018**	**684 397**
Net working capital [4]	**10 061**	**87 807**	**97 868**	**17 295**	**-30 781**	**84 382**
Investments in property, plant and equipment/intangible assets (incl. leases)	**1 333**	**55 055**	**56 388**	**1 430**	**-385**	**57 433**
Number of employees	**137**	**2 307**	**2 444**	**34**	**–**	**2 478**

1.2 Geographical areas 2021	Switzerland	Europe excl. Switzerland	America	Asia	Total
Total net sales – Group [5]	**5 658**	**308 828**	**174 770**	**98 802**	**588 058**
thereof Germany		220 223			
thereof USA			122 304		
thereof Japan				27 314	
thereof China				65 220	
Fixed and intangible assets	**33 789**	**229 542**	**63 400**	**90 362**	**417 093**

1.3 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	**-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**	**585 248**	641 282	**256 213**	**-220 444**	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

1.4 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

The following footnotes are applicable to the 2021 and 2020 financial years.

1) Total Net Sales include "Sales from products transferred over time" about kCHF 12 515 (previous year kCHF 14 078). 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, 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. In the first half of 2021, the government assured the company that this loan would not have to be repaid. Feintool also received kCHF 3 928 in immediate aid from the Swiss government in the year 2021 to mitigate the effects of the COVID-19 pandemic. In addition, 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. Please refer to section 4 of the Notes.

3) Due to capacities no longer required at one plant, an impairment loss on manufacturing equipment totaling kCHF 12 103 was recognized in the 2021 financial year (in the prior year an impairement loss of kCHF 5 932 was related to two plants). 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 2021 and 2020.

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 and the German sub-holding company Feintool Holding GmbH.

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 20.4 % (previous year 18.3 %) of consolidated sales with one customer. Income is generated in all segments. With the other customers, the share is less than 12.4 % (previous year 12.1 %) 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

	2021 in CHF 1 000	2020 in CHF 1 000
Gross sales [1]	595 509	492 755
Sales deductions	-7 451	-790
Total net sales	**588 058**	**491 965**

[1] Total gross sales include “sales generated over a period” of kCHF 12 515 (previous year kCHF 14 078). 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

	2021	2020
	in CHF 1 000	in CHF 1 000
Self-generated presses	131	262
Self-generated tools	387	1 455
Capitalized development costs	919	1 307
Other capitalized self-generated assets	5	19
Capitalized self-generated assets	**1 442**	**3 043**

4 PERSONNEL EXPENSES

	2021	2020
	in CHF 1 000	in CHF 1 000
Salaries and wages 1)	146 765	129 600
Social security contribution	23 487	18 464
Other personnel expenses	8 938	4 667
Total personnel expenses	**179 190**	**152 731**
of which direct personnel expenses 2) 3)	88 080	76 331
of which indirect personnel expenses 3)	91 110	76 400

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 previous 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 previous year.

In the 2020 financial year, various Feintool Group companies received short-time work compensation totaling CHF 2 million (previous year: CHF 7.5 million), which was deducted directly from labor costs.
At the end of the financial year, the Feintool Group had 2 478 employees (previous year: 2 570) and 89 vocational trainees (previous year: 100).

5 OTHER OPERATING EXPENSES

	2021	2020
	in CHF 1 000	in CHF 1 000
Repair and maintenance	51 119	48 700
IT costs	5 176	4 340
Rental and leasing expenses	1 564	1 290
thereof expenses for short-term leases	509	512
thereof expenses for low-value assets	634	448
thereof miscellaneous	420	330
Sales and marketing expenses	1 897	1 588
Administration and distribution expenses	7 892	6 999
Loss on the disposal of property, plant and equipment	1 056	398
Taxes and duties (not including income taxes)	1 143	1 163
Other expenses	1 324	2 056
Total other operating expenses	**71 171**	**66 534**

6 OTHER OPERATING INCOME

	2021 in CHF 1 000	2020 in CHF 1 000
Gain on the disposal of property, plant and equipment	111	258
Other income [1]	13 256	1 011
Total other operating income	**13 367**	**1 269**

[1] "Other income" includes the immediate aids from governments to mitigate the effects of the COVID-19 pandemic totaling kCHF 11 577 as well as income from staff restaurants and subletting.

7 FINANCIAL EXPENSES

	2021 in CHF 1 000	2020 in CHF 1 000
Interest expense	3 891	3 739
Other financial expenses [1]	1 888	1 169
Foreign exchange losses	11 538	11 362
Total financial expenses	**17 317**	**16 270**

[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

	2021 in CHF 1 000	2020 in CHF 1 000
Interest income	98	76
Other financial income	7	17
Foreign exchange gains	12 620	10 909
Total financial income	**12 725**	**11 002**

9 INCOME TAXES

9.1 Analysis of income taxes	2021 in CHF 1 000	2020 in CHF 1 000
Tax credits/charges for the reporting period	10 349	2 968
Tax credits/charges from previous years	-700	50
Deferred income taxes	471	-1 024
Total income taxes	**10 120**	**1 994**

9.2 Analysis of tax charge	2021 in CHF 1 000	2020 in CHF 1 000
Earnings before taxes	**29 331**	**-1 955**
Weighted tax rate as % [1]	25.1 %	23.5 %
Expected overall tax expense / income	**7 362**	**-459**
Effect of tax rates in foreign jurisdictions	1 391	667
Non tax-deductible expense	215	146
Non-taxable income	-1 757	-429
Unrecognized tax loss carryforwards from the current year [2]	2 633	2 337
Use of unrecognized loss carryforwards from previous years	-279	-15
Tax credits/charges from previous years	-700	50
Effect of changes in tax rates	-299	135
Reassessment of prior year	635	54
Tax benefit on equity investments	-298	-110
Other effects	1 217	-382
Effective income tax expense	**10 120**	**1 994**
Effective income tax expense as %	**34.5 %**	**-102.0 %**

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

[2] Unrecognized tax loss carryforwards from the current year refer to Segment System Parts

10 DEFERRED TAXES

10.1 Carrying amounts in CHF 1 000	12/31/2021 Deferred tax assets	12/31/2021 Deferred tax liabilities	12/31/2020 Deferred tax assets	12/31/2020 Deferred tax liabilities
Deferred taxes for temporary differences				
Current assets	1 837	848	3 365	729
Non-current assets	3 815	25 572	3 472	28 995
Provisions and other liabilities	2 634	643	2 045	774
Employee benefit plans	4 387	792	10 296	792
Loss carryforwards	7 024	–	9 868	–
Total gross values	**19 696**	**27 855**	**29 046**	**31 291**
Netting	-10 370	-10 370	-14 413	-14 413
Total carrying amounts	**9 326**	**17 485**	**14 633**	**16 878**
of which recognized in the balance sheet as deferred tax assets	9 326		14 633	
of which recognized in the balance sheet as deferred tax liabilities		17 485		16 878
Net deferred tax assets/liabilities		**8 159**		**2 245**

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	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Start of period	**-2 245**	**-1 860**
Recognition and reversal of temporary differences	-770	1 159
Temporary differences arising on tax rate changes	299	-135
Temporary differences recognized directly in equity	-5 326	-1 875
Translation differences	-117	466
End of period	**-8 159**	**-2 245**

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	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Total tax loss carryforwards	96 324	87 557
of which recognized loss carryforwards	30 321	42 370
Total unrecognized tax loss carryforwards	**66 003**	**45 187**
of which expiring within 1 year	1 135	2 068
of which expiring in one to five years	35 432	22 337
of which expiring in more than five years	29 438	20 782
Tax effects of unrecognized tax loss carryforwards	**15 520**	**11 241**

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	2021 Number	2020 Number
Average number of shares outstanding	4 914 842	4 914 842
Less number of treasury shares (weighted)	-8 501	-7 273
Average number of shares outstanding – undiluted	4 906 341	4 907 569
Average number of shares outstanding – diluted	4 906 341	4 907 569

11.2 Net income Feintool Group	2021 in CHF 1 000	2020 in CHF 1 000
Net income of the Feintool Group – undiluted	19 211	-3 949
Net income of the Feintool Group – diluted	19 211	-3 949

No dilution effects were recognized in the financial year.

11.3 Earnings per share	2021 in CHF	2020 in CHF
Undiluted earnings per share	3.92	-0.80
Diluted earnings per share	3.92	-0.80

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	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Trade receivables	82 374	63 916
Valuation allowances	-635	-810
Total trade receivables (net)	**81 739**	**63 106**
Bills receivable	2 944	5 211
Outstanding VAT credits	3 933	5 414
Receivables from ABS program [1]	1 401	3 787
Other receivables	2 908	4 589
Total trade and other receivables	**92 925**	**82 107**

[1] As of December 31, 2021, trade receivables with a value of kCHF 17 820 were sold under factoring and ABS programs (previous year kCHF 15 743).

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
12/31/2021							
Trade receivables		82 374	69 714	7 393	2 461	1 342	1 464
Valuation allowances		-635	0	–	-27	-25	-583
Total receivables (net)		**81 739**					
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**					

12.3 Valuation allowance on receivables	2021 in CHF 1 000	2020 in CHF 1 000
Start of period	**-810**	**-976**
Recognized	-398	-213
Reversed	570	-56
Used	3	435
End of period	**-635**	**-810**

13 INVENTORIES

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Raw material [1]	29 761	35 750
Tool spare elements	21 006	–
Finished and semi-finished goods	53 604	44 209
Work in progress	18 846	11 887
Valuation allowances on inventories	-24 291	-22 331
Total inventories	**98 926**	**69 515**

[1] In the previous year the tool spare elements have been reported in raw material.

14 CONTRACT ASSETS

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Contract assets	6 553	10 793
Prepayments received	-2 085	-1 902
Valuation allowances on construction contracts	-712	-450
Total net contract assets	**3 756**	**8 441**

The gross margin recorded under contract assets as at the closing date amounted to 21.5 % (previous year 37.4 %).

15 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Prepaid expenses for customer orders [1]	1 859	2 480
Issue costs of promissory note and syndicated loan	406	760
Scrap and material income	663	1 235
Other prepaid expenses and accrued income	524	3 750
Total prepaid expenses and accrued income	**3 452**	**8 225**

[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	2021 in CHF 1 000	2020 in CHF 1 000
Own property, plant and equipment	285 264	294 727
Right-of-use from leased assets	45 919	40 130
Total carrying amounts	**331 183**	**334 857**

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 01/01/2020	**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**
Additions	629	10 450	40 346	**51 425**
Disposals	-700	-10 001	-1 014	**-11 715**
Reclassifications [1]	5 933	27 182	-48 038	**-14 923**
Translation differences	-1 462	2 070	-348	**260**
As at 12/31/2021	**140 446**	**387 638**	**54 918**	**583 002**
Accumulated depreciation as at 01/01/2020	**-43 258**	**-190 913**	**-12 625**	**-246 796**
Additions [3]	-5 047	-27 208	-2 394	**-34 649**
Disposals	2 742	6 918	1 909	**11 569**
Impairments [4]	–	-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**
Additions	-4 497	-27 915	-2 913	**-35 325**
Disposals	382	8 195	702	**9 279**
Impairments [2]	-3 288	-6 457	-623	**-10 368**
Reclassifications	–	-133	–	**-133**
Translation differences	1 022	828	187	**2 037**
As at 12/31/2021	**-50 748**	**-231 445**	**-15 545**	**-297 738**
Net carrying amounts				
As at 12/31/2020	**91 679**	**151 974**	**51 074**	**294 727**
As at 12/31/2021	**89 698**	**156 193**	**39 373**	**285 264**

[1] Reclassifications include positions of immaterial assets amounting to kCHF -3 (previous year kCHF -69), of assets in leasing amounting to kCHF -14 871 (previous year kCHF -989) and a revaluation of assets in leasing amounting to kCHF 114.

[2] In the financial year 2021, System Parts Europe recognized impairment losses on machinery & buildings of kCHF 12 030 and Software of kCHF 73 totaling kCHF 12 103. Of the impairment losses, kCHF 1 662 relate to leased machinery.

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

[4] In the previous year, 2 entities of System Parts Europe recognized impairment losses on machinery totaling kCHF 5 932. Of the impairment losses 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 29 446 in the year under review (previous year kCHF 39 790). Gains on asset disposals are recognized as other operating income (Note 6). A gain of kCHF 111 (previous year kCHF 258) 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 1 056 (previous year kCHF 398). As at December 31, 2021, the Feintool Group had entered into purchase commitments for the purchase of property, plant and equipment totaling approx. CHF 27.7 million (previous year CHF 33.1 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 01/01/2020	**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
Additions	3 168	94	1 175	**4 437**
Disposals	-620	-182	-619	**-1 421**
Reclassifications	-114	14 871	–	**14 757**
Translation differences	39	-3 870	-41	**-3 872**
As at 12/31/2021	**11 469**	**86 767**	**3 078**	101 314
Accumulated depreciation as at 01/01/2020	**-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
Additions	-1 726	-7 988	-855	**-10 569**
Disposals	1 182	182	507	**1 871**
Reclassifications	–	119	–	**119**
Impairments [1]	–	-1 662	–	**-1 662**
Translation differences	-37	2 138	28	**2 129**
As at 12/31/2021	**-3 914**	**-49 680**	**-1 801**	-55 395
Net carrying amounts				
As at 12/31/2020	**5 663**	**33 385**	**1 082**	40 130
As at 12/31/2021	**7 555**	**37 087**	**1 277**	45 919

[1] In the financial year 2021, System Parts Europe recognized impairment losses on machinery and buildings totaling kCHF 12 103. Of the impairment losses, TCHF 1 662 relate to leased machinery.

[2] In the previous year, 2 entities of System Parts Europe recognized impairment losses on machinery totaling kCHF 5 932. Of the impairment losses kCHF 1 878 relate to leased machinery (see section 16.2).

In the 2021 financial year, interest expenses from lease liabilities were incurred in the amount of kCHF 525 (previous year kCHF 516).

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 01/01/2020	**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**
Additions	–	1 130	346	94	**1 570**
Disposals	–	-2 795	-177	-1	**-2 973**
Reclassifications	–	–	3	–	**3**
Translation differences	-1 569	–	-170	-449	**-2 188**
As at 12/31/2021	**61 629**	**10 554**	**8 739**	**31 837**	**112 759**
Accumulated depreciation as at 01/01/2020	**–**	**-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**
Additions	–	-1 917	-741	-2 551	**-5 209**
Disposals	–	2 795	170	–	**2 965**
Reclassifications	–	–	–	–	**0**
Impairments	–	–	-73	–	**-73**
Translation differences	–	–	160	193	**353**
As at 12/31/2021	**–**	**-6 664**	**-7 657**	**-12 528**	**-26 849**
Net carrying amounts					
As at 12/31/2020	**63 198**	**4 677**	**1 564**	**22 023**	**91 462**
As at 12/31/2021	**61 629**	**3 890**	**1 082**	**19 309**	**85 910**

[1] Research and development expenses amounting to kCHF 4 455 (previous year kCHF 4 369) 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	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Cash-generating unit System Parts China	11 622	10 912
Cash-generating unit System Parts Fineblanking Europe	3 132	3 275
Cash-generating unit System Parts Forming Europe	6 607	6 908
Cash-generating unit System Parts Stamping Europe	40 268	42 103
Total carrying amounts	**61 629**	**63 198**

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 and compared with the carrying amount. The values in use were calculated using the DCF method (discounted cash flow method). The Feintool Group uses the results from the respective current business plan with the assumptions contained therein regarding price, market and market share development. The first 3 plan years are approved by the Board of Directors, the further plan years by the Group CFO. The growth rates are based on the forecasts of established institutions and on the Group's own past experience of price and market share development. A discount rate based on the weighted average cost of capital of the Feintool Group is used to discount future cash flows. .

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 six years.

17.3 Parameter for Discount rate	2021			2020		
	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	9.4	7.6	7.6	8.8	7.3	7.3
Discount rate before taxes	9.9	7.9	7.9	9.7	8.0	8.0
Terminal growth rate	3.6	0.8	1.7	3.6	0.8	1.7

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 1 168 (previous year kCHF 966). An increase in the weighted average cost of capital after taxes to 9.5 % (previous year 8.9 %) as well as a decrease in the growth rate to 3.5 % lead to a situation where the value in use equates the net carrying amount.
In the impairment test, the first 3 years are approved by the Board of Directors on the basis of the business plan and the further extrapolation years are approved by the Group CFO.
For the cash-generating unit Stamping Europe the recoverable amount exceeded the net carrying amount by kCHF 7 783 (previous year kCHF 769). An increase in the weighted average cost of capital after taxes to 8.0 % (previous year 7.4 %) as well as a decrease of the growth rate to 1.1 % lead to a situation where the value in use equates the net carrying amount. A shortening of the plan years from 6 to 5 years for the cash-generating unit Stamping Europe would result in the recoverable amount falling short of the net carrying amount by kCHF 11 123.

18 FINANCIAL ASSETS

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Loans to third parties	79	94
Non-current receivables	4 288	3 565
Rental deposit accounts	558	574
Financial assets	**4 925**	**4 234**

The weighted average interest rate in the reporting period was 0.14 % (previous year 0.2 %).

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

Non-current receivables 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.

19 FINANCIAL LIABILITIES

19.1 Current financial liabilities	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Current liabilities to banks	9 161	27 876
Current portion of non-current liabilities to banks	961	977
Current portion of lease liabilities	10 581	11 132
Current liabilities from promissory note	–	27 005
Total current financial liabilities	**20 703**	**66 990**

The weighted average interest rate in the reporting period was 1.5 % (previous year 1.9 %).

19.2 Non-current financial liabilities	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Non-current promissory note	77 418	43 208
Non-current liabilities to banks	43 569	77 306
Non-current lease liabilities	30 821	20 711
Total non-current financial liabilities	**151 808**	**141 225**

The weighted average interest rate in the year under review was 1.7 % (previous year 0.8 %).

On July 15, 2016 and July 15, 2021 promissory notes in the amount of EUR 75 million were issued. The issuer, with a guarantee from Feintool International Holding AG, is Feintool Holding GmbH based in Germany. The loan is divided into the following tranches:

– EUR 25.0 million, term until fiscal year 2023
– EUR 14.5 million, term until fiscal year 2024
– EUR 29.5 million, term until fiscal year 2026
– EUR 6.0 million, term until fiscal year 2028

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

– Equity ratio > 25 %

As of December 31, 2021, 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. The acquisition of the company Kienle + Spiess GmbH will temporarly increase the net debt. Therefore the covenant net debt / EBITDA was increased until end of November 2022.

As of December, 31st 2021, CHF 27.9 million of the syndicated loan had been used (previous period CHF 63.7 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 2021, 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 2021, Feintool has CHF 110.8 million (previous year CHF 65.6 million) in unused, confirmed creditlines at the bank.

19.3 Reconciliation of financial liabilities	2021 in CHF 1 000	2020 in CHF 1 000
Start of period	**208 215**	**184 241**
Cash flows net [1]	-42 378	25 053
Non-cash changes	9 559	3 090
thereof new leases	9 559	3 090
Translation differences	-2 885	-4 169
End of period	**172 511**	**208 215**

[1] This item includes the borrowing of interest-bearing debt of kCHF 15 916 (previous year kCHF 67 958), the repayment of interest-bearing lease liabilities of kCHF 8 332 (previous year repayment kCHF 15 854) and the repayment of interest-bearing debt of kCHF 49 961 (previous year kCHF 27 051).

20 TRADE AND OTHER PAYABLES

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Trade payables	66 017	47 704
Prepayments from third parties	4 636	2 512
Notes payable	2 423	3 917
Liabilities from factoring and ABS [1]	5 359	7 662
Social security liabilities	1 068	1 627
Outstanding VAT liabilities	1 743	378
Other liabilities	1 883	942
Total trade and other payables	**83 129**	**64 742**

[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

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Accruals for salary, bonus, overtime, additional hours	13 282	8 674
Outstanding accounts payable	8 021	7 816
Outstanding installations and other work to be fulfilled in relation to customer orders	7 779	11 958
Accruals for environmental risks	303	340
Other accrued expenses and deferred income	1 566	2 025
Total accrued expenses and deferred income	**30 951**	**30 813**

22 PROVISIONS

in CHF 1 000	Warranties	Other provisions	Total
Total provisions as at 01/01/2020	**3 697**	**7 486**	**11 183**
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
Recognized	703	5 575	6 278
Used	-474	-743	-1 217
Reversed	-449	-404	-853
Translation differences	-14	-318	-332
Total provisions as at 12/31/2021	**2 885**	**9 535**	**12 420**
of which current provisions	1 178	8 799	9 977
of which non-current provisions	1 707	736	2 443

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)	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Net defined benefit liability (asset)	21 293	47 791
Jubilee benefits	1 453	2 287
Other benefit obligations	137	21
Total net employee benefit liabilities (assets)	**22 883**	**50 099**

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 4 500 (previous year kCHF 6 000).

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 12 170 (previous year kCHF 36 551), the German plan to kCHF 8 390 (previous year kCHF 10 384) and the Japanese plan to kCHF 733 (previous year kCHF 856). 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 5.2 % (previous year 5.4 %). 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 108.7 % as at December 31, 2021 (previous year 99.8 %). 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 2.0 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 2021	Defined benefit obligation 2020	Plan assets 2021	Plan assets 2020	Net defined benefit liability (asset) 2021	Net defined benefit liability (asset) 2020
	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	**185 400**	**194 464**	**-137 609**	**-131 950**	**47 791**	**62 514**
Recognized in income statement						
Current service cost	4 558	5 165	–	–	4 558	5 165
Interest expenses (income)	357	524	-243	-324	114	200
General and administrative expenses	–	–	226	241	226	241
Impact of plan amendment in Previous Year [1]	0	-5 388	–	–	0	-5 388
Impact of curtailment in Previous Year [2]	0	-838	–	–	0	-838
Total	**4 915**	**-537**	**-17**	**-83**	**4 898**	**-620**
Recognized in other comprehensive income						
Expense/(income) from remeasurement of						
Actuarial loss/(gain) due to:						
Change in demographic assumptions [3]	-8 787	–	–	–	-8 787	–
Change in financial assumptions	-3 226	1 111	–	–	-3 226	1 111
Experience adjustment	-3 291	-1 000	–	–	-3 291	-1 000
Expense/(income) on plan assets (excluding interest income)	–	–	-8 433	-5 252	-8 433	-5 252
Translation differences	-681	-180	239	96	-442	-84
Total	**-15 985**	**-69**	**-8 194**	**-5 156**	**-24 179**	**-5 225**
Other						
Contributions from employer [4]	-287	-504	-6 926	-8 374	-7 213	-8 878
Contributions from employees	2 887	2 897	-2 887	-2 897	–	–
Benefits paid out	-11 869	-10 851	11 865	10 851	-4	–
Total	**-9 269**	**-8 458**	**2 052**	**-420**	**-7 217**	**-8 878**
As at December 31	**165 061**	**185 400**	**-143 768**	**-137 609**	**21 293**	**47 791**
of which Swiss plans	152 097	170 445	-139 927	-133 894	12 170	36 551
of which German plans	10 079	11 956	-1 689	-1 572	8 390	10 384
of which Japanese plans	2 885	2 999	-2 152	-2 143	733	856

1) In the previous year, 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 previous year.

2) Triggered by the global economic slowdown, the number of employees in Switzerland fell by 34 in the previous 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 of the previous year.

3) As at December 31, 2021, the weighted-average duration of pension benefit obligations was 13.8 years for the Swiss plan (previous year 14.8 years) and 18.6 – 19.1 years for the German plans (previous year 19.2 – 19.7 years). Feintool uses the BVG 2020 G mortality table (prior year BVG 2015 G) in Switzerland and Heubeck RT 2018 G (same as last year) in Germany for the hypothetical life expectancy.

4) In the financial year, the pension trust made contributions of CHF 3.2 million to restructure the Feintool Group's Swiss pension fund (previous year 4.8 million). Restructuring contributions of CHF 1.2 million annually have been committed until a coverage ratio of 100 % has been reached, CHF 2.0 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 4.0 million in the case of employer contributions and CHF 2.9 million in the case of employee contributions.

23.3 Plan assets of defined benefit plans	2021 in %	2020 in %
Equities	31.4	29.9
Bonds	39.2	39.3
Real estate (including real estate funds)	20.7	23.8
Other	3.2	1.6
Cash	5.5	5.4
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	2021 in %	2020 in %
Swiss plan		
Discount rate	0.3	0.2
Future increase in wages and salaries	1.0	0.8
German plans		
Discount rate	1.0	0.6
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	2021 in years	2020 in years
Swiss plan		
Life expectancy at age 65 for newly retired persons		
Men	22.6	22.7
Women	24.4	24.8
Life expectancy at age 65 for employees currently aged 45		
Men	24.9	24.5
Women	26.4	26.5
German plans		
Life expectancy at age 65 for newly retired persons		
Men	20.7	20.5
Women	24.1	24.0
Life expectancy at age 65 for employees currently aged 45		
Men	23.4	23.3
Women	26.4	26.2

23.6 Defined benefit plan obligations – sensitivity analysis	2021 in CHF 1 000	2020 in CHF 1 000
Swiss plan		
Change in discount rate -0.25 %	5 165	6 192
Change in discount rate +0.25 %	-4 840	-5 787
Change in wages and salaries -0.25 %	-217	-288
Change in wages and salaries +0.25 %	209	273
German plans		
Change in discount rate -0.25 %	509	587
Change in discount rate +0.25 %	-477	-547
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	12/31/2021 Number/CHF	12/31/2020 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	12/31/2021 in CHF 1 000	12/31/2020 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	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Start of period	**–**	**1 482**
Expired	–	-1 482
Created	10 000	–
Used	–	–
End of period	**10 000**	**–**

According to the decision of the Annual General Meeting of April 20, 2021, the Board of Directors is authorized to create capital up to a maximum amount of CHF 10 000 000 as required through the issue of up to 1 000 000 new shares, each having a nominal value of CHF 10. The new shares are to be paid up in full. The Board of Directors is authorized to restrict or exclude subscription rights under certain circumstances. The new shares can be issued in one or more stages. The approval is limited to a period of two years. The authorized capital will expire on April 19, 2023.

	12/31/2021		12/31/2020	
24.4 Treasury shares – changes	Number	in CHF 1 000	Number	in CHF 1 000
Start of period	**10 172**	**615**	**9 694**	**852**
Bought	10 000		12 650	
Sale/transfer	-12 803		-12 172	
End of period	**7 369**	**475**	**10 172**	**615**
of which trading portfolio	7 369		10 172	

In the 2020 financial year, 10 000 shares were purchased at an average price of CHF 66.63 (previous year 12 650 shares at an average price of CHF 50.23) and 12 803 shares transfered at an average price of CHF 56.44 (previous year 12 172 shares at an average price of CHF 55.43) 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, 12 803 shares (previous year 12 172) were allocated to the Board of Directors, the Group Management and other managers in the financial year at a transaction value of kCHF 747 (previous year kCHF 652). Of this amount, 5 000 shares have been distributed in January 2022, 7 803 shares in December 2021. All shares were transferred from treasury shares and were transferred directly to the ownership of the recipient.

26 OFF-BALANCE SHEET TRANSACTIONS, CONTINGENT LIABILITIES

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Contingent obligations	473	2 055
Contingent liabilities	**473**	**2 055**

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 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

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Real estate	5 106	5 624
Machinery and equipment	37 088	33 386
Assets pledged as security for own liabilities	**42 194**	**39 010**

28 ECONOMIC RISKS

The COVID-19 pandemic had a significant impact on economic development in 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 120 million), a promissory note in the amount of EUR 75 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 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. The acquisition of the company Kienle + Spiess GmbH will temporarly increase the net debt. Therefore the covenant net debt / EBITDA was increased until end of November 2022.

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, 2021, all covenants – both the modified and the original covenants – had been met. As at December 31, 2021, Feintool had CHF 110.8 million (previous year CHF 65.6 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**
12/31/2021						
Liabilities [1]	**75 682**	75 682	–	–	–	**75 682**
Accrued expenses and deferred income [2]	**9 890**	9 890	–	–	–	**9 890**
Current liabilities to banks	**9 161**	9 161	–	–	–	**9 161**
Lease liabilities	**41 402**	10 785	11 839	7 546	12 042	**42 212**
Other liabilities to banks	**121 948**	1 940	84 751	32 475	6 338	**125 504**
Total	**258 083**	**107 458**	**96 590**	**40 021**	**18 380**	**262 449**
Foreign exchange futures [3]						
Cash inflows	**86**	86	–	–	–	**86**
Cash outflows	**1 306**	1 306	–	–	–	**1 306**
12/31/2020						
Liabilities	**60 225**	60 225	–	–	–	**60 225**
Accrued expenses and deferred income	**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/bonds	**148 496**	28 670	96 011	2 559	16 338	**143 578**
Total	**266 258**	**122 904**	**94 462**	**33 748**	**18 953**	**273 592**
Foreign exchange futures [3]						
Cash inflows	**2**	2	–	–	–	**2**
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, 2021, the contractual values of the forward exchange deals amounted to kCHF 125 620 (previous year kCHF 202).

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 933.

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.

	2021		2020	
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	10 083	-375	-5 483	233
USD – Comprehensive Income	3 657	-57	3 133	-76

Other market risks

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

Derivative financial instruments

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

Capital structure

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

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

The Group's aims for an equity ratio of at least 40 % and for a net-debt/EBITDA ratio of less than 1. Comments on the aforementioned ratios are provided in the Financial Review (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, 2021, the overall default risk amounts to kCHF 146 750 (previous year kCHF 142 584). Feintool generates more than 20.4 % (previous year 18.3 %) of consolidated sales for one customer. Income is generated in all segments. With the other customers, the share is less than 12.4 % (previous year 12.1 %) 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	51 763	–	**51 763**
Prepaid expenses and accrued income [1]	984	86	**1 070**
Receivables	88 992	–	**88 992**
Financial assets	4 925	–	**4 925**
Total carrying amounts as at 12/31/2021	**146 664**	**86**	**146 750**
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**

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]	9 890	–	**9 890**
Trade payables	75 682	–	**75 682**
Current financial liabilities	20 703	–	**20 703**
Non-current financial liabilities	151 808	–	**151 808**
Total carrying amounts as at 12/31/2021	**258 083**	**–**	**258 083**
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 12/31/2020	**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 -1 220 net (previous year kCHF 2).

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 12/31/2021	**51 763**	**-1 220**	**93 917**	**258 083**	
Interest income/expenses	–	–	98	-3 891	**-3 793**
Other financial income/expenses	–	-994	-830	-57	**-1 881**
Change in valuation allowances on customer receivables and bad debt losses	–	–	-27	–	**-27**
Total net gain/loss 2021	**–**	**-994**	**-759**	**-3 948**	**-5 701**
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**

29.5 Derivative financial instruments outstanding in CHF 1 000	Fair values positive	Fair values negative	Contract volumes
Futures contracts	86	1 306	125 620
Foreign currency instruments	**86**	**1 306**	**125 620**
Total derivative financial instruments as at 12/31/2021	**86**	**1 306**	**125 620**
Futures contracts	2	–	202
Foreign currency instruments	**2**	**–**	**202**
Total derivative financial instruments as at 12/31/2020	**2**	**–**	**202**

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 3 209 (previous year kCHF 2 431).

	2021 in CHF 1 000	2020 in CHF 1 000
Wages (including cash bonuses), fees [1]	2 157	1 485
Contributions to pension plans	582	515
Share-based payment [2]	470	431
Total	**3 209**	**2 431**

[1] Incl. benefits in kind (Provision of company cars, etc.).

[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 2021 financial year, the shares were transferred on January 4, 2022. 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	2021 in CHF 1 000	2020 in CHF 1 000
Balance Sheet		
Other payables	–	203

31 MAJOR SHAREHOLDERS

		12/31/2021		12/31/2020	
	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

On December 6th 2021, Feintool agreed to acquire Kienle + Spiess GmbH, a major manufacturer of stators and rotors for electric drives. The acquisition will significantly strengthen Feintool's position in E-lamination and extend its manufacturing footprint. The approval by the antitrust authorities was received end of February 2022. The preliminary share purchase price is estimated at EUR 71 million plus debt and pension liabilities of around EUR 100 million and depends on purchase price elements such as net debt and actual working capital in relation to target working capital. The exact amount and distribution of the assets are not yet known. Kienle + Spiess GmbH generated sales of approximately EUR 140 million in 2020/2021.

33 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2022 and will be submitted to the Annual General Meeting for approval on April 28, 2022.

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, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 30 to 78) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, 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

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 2021 amounted to CHF 588,058 thousand. The segment System Parts contributed 94.4% to these revenues while the remaining 5.6% 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. Bases on beforementioned sample, we have also reconciled the accounts receivable as of balance sheet date.
- 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 36-47
— Note 1 Segment Information on pages 48-50
— Note 2 Net Sales on page 50

KPMG

Valuation of goodwill

Key Audit Matter

As at December 31, 2021, the consolidated financial statements included goodwill amounting to CHF 61,629 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, 2021, goodwill is of material importance. Furthermore, the economic environment in the automotive sector remains challenging overall due to technological change and to the uncertainty related to the COVID-19 pandemic.

In the financial year 2021 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.

For further information on goodwill refer to the following:

— Note Accounting Principles on pages 36-47

— Note 17 Intangible Assets on page 60-61

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.

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.

KPMG

Report on Other Legal and Regulatory Requirements

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

Yannick Peter
Licensed Audit Expert

Zurich, March 1, 2022

FEINTOOL INTERNATIONAL HOLDING AG

Financial Review of the 2021 Financial Year

(from January 1 to December 31, 2021)

FEINTOOL INTERNATIONAL HOLDING AG BALANCE SHEET

for the 2021 financial year (as at December 31, 2021)

	Note	12/31/2021 in CHF 1 000	in %	12/31/2020 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		9 761		8 892	
Trade receivables	1	5 415		3 305	
Other receivables	1	729		4 523	
Prepaid expenses and accrued income	2	1 297		1 641	
Total current assets		**17 202**	**4.5**	**18 361**	**4.7**
Non-current assets					
Property, plant and equipment	3	679		289	
Intangible assets	4	2 314		1 977	
Financial assets	5	148 068		148 976	
Investments	6	216 026		218 026	
Total non-current assets		**367 087**	**95.5**	**369 267**	**95.3**
TOTAL ASSETS		384 289	100.0	387 627	100.0
LIABILITIES					
Current liabilities					
Trade payables	8	1 673		800	
Current interest bearing liabilities	7	33 322		37 941	
Other payables	8	195		123	
Tax liabilities		1 002		–	
Accrued expenses and deferred income	9	3 088		2 690	
Total current liabilities		**39 280**	**10.2**	**41 554**	**10.7**
Non-current liabilities					
Non-current interest bearing liabilities	10	38 629		63 732	
Non-current provisions	11	451		650	
Total non-current liabilities		**39 080**	**10.2**	**64 382**	**16.6**
Total liabilities		**78 360**	**20.4**	**105 936**	**27.3**
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		103 762		102 494	
Result for the year		24 098		1 268	
Treasury shares	15	-475		-615	
Total equity		**305 929**	**79.6**	**281 692**	**72.7**
TOTAL EQUITY AND LIABILITIES		384 289	100.0	387 627	100.0

FEINTOOL INTERNATIONAL HOLDING AG
STATEMENT OF INCOME

for the 2021 financial year (January 1 to December 31, 2021)

	Note	2021 in CHF 1 000	2021 in %	2020 in CHF 1 000	2020 in %
INCOME					
Operating income	16	28 208	43.0	24 631	60.4
Income from investments		16 486	25.1	–	0.0
Financial income	17	20 894	31.9	16 136	39.6
Total income		**65 588**	**100.0**	**40 767**	**100.0**
EXPENSES					
Personnel expenses	18	8 546	13.0	7 812	19.2
Other operating expenses	19	8 963	13.7	8 370	20.5
Depreciation		1 222	1.8	1 913	4.6
Depreciation on investments		2 000	3.0	1 500	3.7
Financial expenses	20	16 931	25.8	17 942	44.0
Prior-period expenses	21	1 526	2.3	1 783	4.4
Income Taxes		2 302	3.5	179	0.4
Total expenses		**41 490**	**63.3**	**39 499**	**96.9**
RESULT FOR THE YEAR		**24 098**	**36.7**	**1 268**	**3.1**

NOTES TO THE FINANCIAL STATEMENTS OF FEINTOOL INTERNATIONAL HOLDING AG

as at December 31, 2021

PRINCIPLE

General

Feintool International Holding AG has its headquarters in Lyss, Switzerland. The 2021 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 booked in the income statement and not directly into equity. In the prior year such a difference was 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 1.7 % 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 2021 (previous year kCHF 147).

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

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Accounts receivable – intercompany	5 415	3 305
Other receivable – third parties	729	672
Interest bearing receivable – intercompany [1]	–	3 851
Total trade and other receivables	**6 144**	**7 828**

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

2 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Prepaid expenses – third parties	1 280	1 632
Prepaid expenses – intercompany	17	10
Total prepaid expenses and accrued income	**1 297**	**1 641**

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Own property, plant and equipment

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Furniture and fixtures	–	4
Other fixed assets	–	4
Total property, plant and equipment	**–**	**8**

3.2 Property, plant and equipment in lease

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Right of use on buildings	548	258
Other Right of use assets	131	23
Total right of use assets	**679**	**281**

4 INTANGIBLE ASSETS

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Cost for research and development	2 195	1 949
Software	119	28
Total intangible assets	**2 314**	**1 977**

5 FINANCIAL ASSETS

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Financial assets – intercompany	148 068	148 976
Total financial assets	**148 068**	**148 976**

6 INVESTMENTS

Company	Locations, country		Capital	Proportion of capital and voting rights as of December 31, 2021	Proportion of capital and voting rights as of December 31, 2020	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
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 U.S. Operations, Inc.	**Cincinnati, USA**	**USD**	**6**	**100 %**	**100 %**	**Full**
Feintool Cincinnati, Inc.	Cincinnati, USA	USD	500	100 %	100 %	Full
Feintool Equipment Corp.	Cincinnati, USA	USD	100	100 %	100 %	Full
Feintool New York, Inc.	**White Plains, USA**	**USD**	**1 000**	**100 %**	**100 %**	**Full**
One Holland Ave. Development LLC	Cincinnati, USA	USD	–	100 %	100 %	Full
Feintool Tennessee, Inc.	Nashville, USA	USD	–	100 %	100 %	Full
HL Holding AG [3]	**Lyss, CH**	**CHF**	**100 000**	**n/a**	**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] Retroactively as of January 1, 2021, HL Holding AG and Feintool System Parts Lyss AG merged.

7 CURRENT INTEREST-BEARING LIABILITIES

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Current interest bearing liabilities – third parties	–	13 519
Current interest bearing liabilities – intercompany [1]	33 046	24 136
Current leasing liabilities	276	286
Total current interest bearing liabilities	**33 322**	**37 941**

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

8 TRADE AND OTHER PAYABLES

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Current liabilities – third parties	870	559
Current liabilities – related parties	201	159
Current liabilities – intercompany	213	31
Current liabilities – governing bodies	389	51
Other payables – third parties	192	123
Other payables – intercompany	3	–
Trade and other payables	**1 868**	**923**

9 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Accruals for salary, bonus, overtime	1 474	1 307
Outstanding accounts payable	1 509	1 055
Other accrued expenses	–	188
Accrued expenses – intercompany	105	140
Total accrued expenses and deferred expense	**3 088**	**2 690**

10 NON-CURRENT FINANCIAL LIABILITIES

	12/31/2021 in CHF 1 000	12/31/2020 in CHF 1 000
Non-current interest bearing liabilities – third parties [1)]	38 225	63 732
Non-current leasing liabilities	404	–
Total non-current interest bearing liabilities	**38 629**	**63 732**

[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, 2021, CHF 27.9 million of the syndicated loan had been used (previous period: CHF 63.7 million). The acquisition of the company Kienle + Spiess GmbH will temporarily increase the net debt. Therefore the covenant net debt / EBITDA was increased until end of November 2022.

11 NON-CURRENT PROVISIONS

Non-current provisions include provisions for insurance payments in the amount of kCHF 372 (previous year kCHF 541) and provisions for anniversary benefits of kCHF 79 (previous year kCHF 108).

12 SHARE CAPITAL

12.1 Share capital

	12/31/2021 Number/CHF	12/31/2020 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

	2021 in CHF 1 000	2020 in CHF 1 000
Operating income – third party	56	75
Income from intercompany services	28 152	24 556
thereof licenses and patents	16 783	13 771
thereof other management services	3 747	3 205
thereof IT services	5 662	5 186
thereof internal services, building maintenance/services and staff restaurant	1 041	1 006
thereof other intercompany services	919	1 388
Total operating income	**28 208**	**24 631**

17 FINANCIAL INCOME

	2021 in CHF 1 000	2020 in CHF 1 000
Interest income – third party	5	33
Interest income – intercompany	2 578	2 587
Foreign exchange gains	18 311	13 516
Total financial income	**20 894**	**16 136**

18 PERSONNEL EXPENSES

	2021 in CHF 1 000	2020 in CHF 1 000
Salaries and wages	6 640	5 955
Social security contribution	919	868
Other personnel expenses	987	989
Total personnel expenses	**8 546**	**7 812**

Feintool International Holding AG employed 37 staff at the end of the year (previous year 35; calculated in Full Time Equivalents and incl. Apprentices and trainees).

19 OTHER OPERATING EXPENSES

	2021 in CHF 1 000	2020 in CHF 1 000
Research and development	2 791	2 485
Patents and licenses	179	246
Corporate communication and investor relations	472	495
Information technology	3 563	3 711
Consulting	1 626	816
Rent	193	196
Other expenses [1)]	139	421
Total other operating expenses	**8 963**	**8 370**

[1)] In 2020 we shown the staff restaurant and capital tax separately. From 2021 these cost will flow into other expenses.

20 FINANCIAL EXPENSES

	2021 in CHF 1 000	2020 in CHF 1 000
Interest expense – third party	1 602	1 449
Other financial expenses – third party [1)]	1 336	763
Foreign exchange losses	13 993	15 731
Total financial expenses	**16 931**	**17 942**

[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

	31.12.2021 in CHF 1 000	31.12.2020 in CHF 1 000
Guarantees and warannties for investments	24 506	16 157
Subordination clauses in favor of subsidiaries	16 955	6 955
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 are still outstanding the amount of EUR 40 million and a new promissory note was borrow on July 15,2021 in the amount of EUR 35 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

	12/31/2021 Number of registered shares	**12/31/2020** Number of registered shares
Alexander von Witzleben, Chairman of the Board of Directors [1]	45 057	40 057
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	781
Total Board of Directors	**45 838**	**40 838**
Knut Zimmer, CEO	8 126	6 030
Dr. Thomas F. Bögli, CFO until April 21	5 324	4 713
Samuel Künzli, CFO starting from May 21	1 271	–
Total Group Management	**14 721**	**10 743**
Total other employees	**930**	**756**

[1] Held directly and indirectly; the 5 000 shares with a value of CHF 291 500 as remuneration for the 2021 financial year were assigned on January 3, 2022.

[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 58.30 (previous year: CHF 55.20) as of December 31, 2021. This results in a total value of kCHF 3 585 (previous year: kCHF 2 889).

25 LIABILITIES TO EMPLOYEE BENEFIT PLANS

There was no liability to the pension fund as of December 31, 2021 (previous year kCHF 0).

26 EVENTS AFTER THE BALANCE SHEET DATE

On December 6th 2021, Feintool agreed to acquire Kienle + Spiess GmbH, a major manufacturer of stators and rotors for electric drives. The acquisition will significantly strengthen Feintool’s position in E-lamination and extend its manufacturing footprint. The approval by the antitrust authorities was received end of February 2022. The preliminary share purchase price is estimated at EUR 71 million plus debt and pension liabilities of around EUR 100 million and depends on purchase price elements such as net debt and actual working capital in relation to target working capital. The exact amount and distribution of the assets are not yet known. Kienle + Spiess GmbH generated sales of approximately EUR 140 million in 2020/2021.

27 PROPOSAL BY THE BOARD OF DIRECTORS

The Board of Directors will propose to the Annual General Meeting an ordinary dividend of CHF 0.50 per registered share for the financial year 2021.

	12/31/2021 in CHF
Retained earnings brought forward	103 761 940
Result for the year	24 097 934
Available earnings	**127 859 874**
Payment of an ordinary dividend of CHF 0.50	-2 457 421
Gain Carryforward	**125 402 453**

Since the general legal reserves and retained earnings have reached 50 % of the share capital, no further allocation will be made.

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

	12/31/2021 in CHF
Capital contribution reserves before distribution	**129 395 995**
Transfer from capital contribution reserves to voluntary retained earnings and payment of an additional dividende of CHF 0.50	-2 457 421
Capital contribution reserves after distribution	**126 938 574**

This corresponds to a maximum total dividend distribution of kCHF 4 915 (previous year kCHF 0). The amount of the dividend distribution depends on the amount of the dividend-eligible shares at the time of the distribution. No dividends will be distributed on treasury shares.

Statutory Auditor's Report

To the General Meeting of Feintool International Holding AG, Lyss

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Feintool International Holding AG, which comprise the balance sheet as at December 31, 2021, and the statement of income 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 86 to 98) for the year ended December 31, 2021 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.

KPMG

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

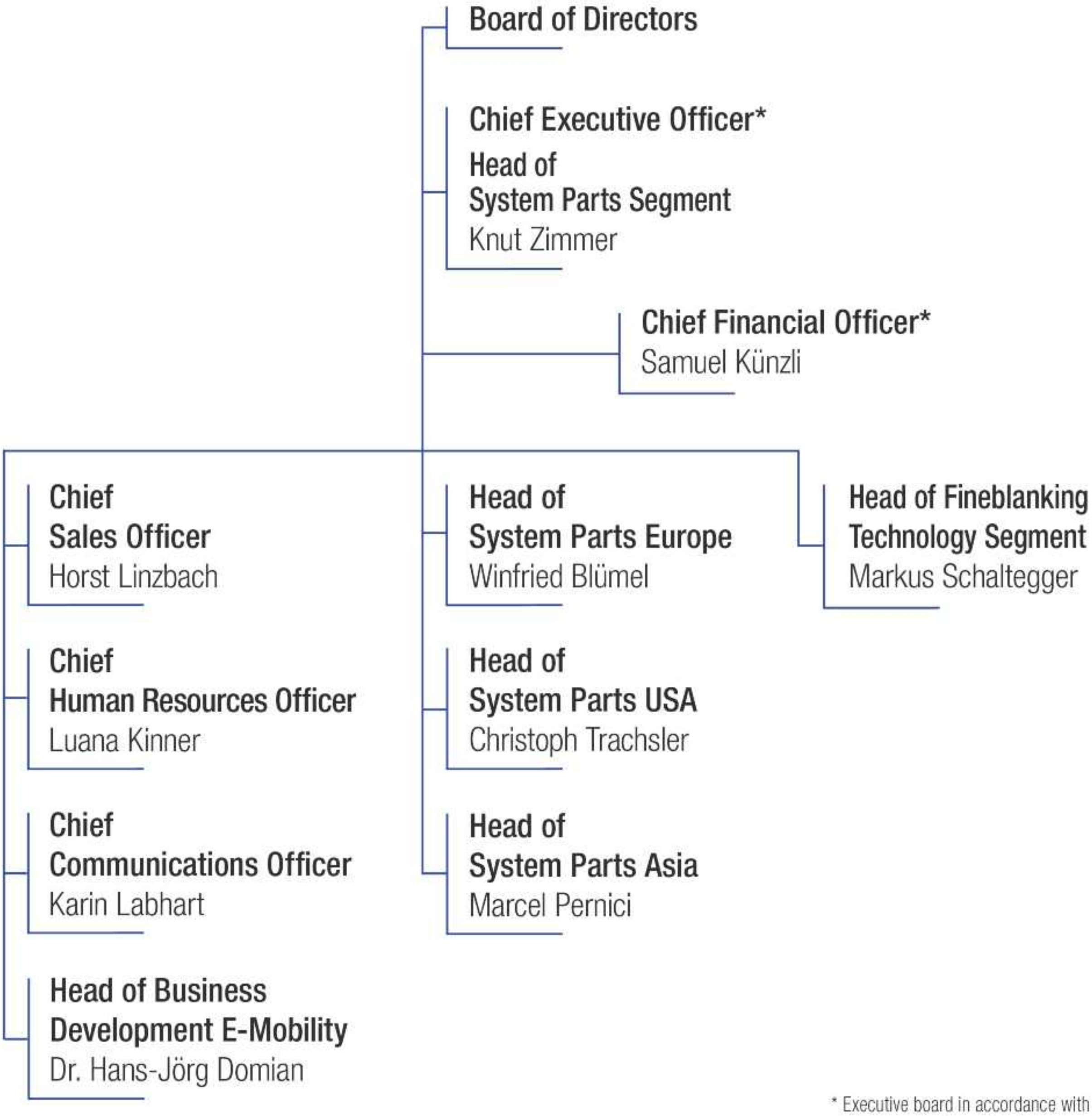
Yannick Peter
Licensed Audit Expert

Zurich, March 1, 2022

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

CORPORATE GOVERNANCE

Good governance is a core component of our corporate strategy



Operational management structure by 31 December 2021

* Executive board in accordance with the Ordinance on Excessive Compensation for Listed Companies ('VegüV')

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/2019_Ablagestruktur/Company/Corporate_Governance/Principles/FIH_Statuten_20210420.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, 2021)

[1] Without 7 369 treasury shares.

Key share prices in 2021 financial year:			
Highest	03/18/2021	CHF	71.80
Lowest	01/25/2021	CHF	52.10
Closing price	12/30/2021	CHF	57.80

With 2 104 shareholders (previous year 1 990), the number of shareholders increased over the last twelve months by 114. As of December 31, 2021, 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, 2021, 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. However, the General Assembly as of April 20, 2021 resolved the creation of CHF 10 million of authorized capital with an expiration date of April 19, 2023.

Conditional capital for stock options plans

In accordance with Art. 3b, para. 2 of the Articles of Association (https://www.feintool.com/fileadmin/2019_Ablagestruktur/Company/Corporate_Governance/Principles/FIH_Statuten_20210420.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	Nomina 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
12/31/2020	held				49 148 420	4 914 842
12/31/2021	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
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				–	–
04/24/2021	created [4]	1 000 000	10	10 000 000	10 000 000	1 000 000
12/31/2021	held				10 000 000	1 000 000

[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”.

[4] The General Assembly as of April 20, 2021 resolved the creation of CHF 10 million of authorized capital with an expiration date of April 19, 2023.

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
12/31/2021	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, 2021.

MEMBERS OF THE BOARD OF DIRECTORS, FEINTOOL INTERNATIONAL HOLDING AG

As at December 31, 2021

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

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, 2021, 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	04/28/2022
Christian Mäder	2020	04/28/2022
Dr. Marcus Bollig	2020	04/28/2022
Norbert Indlekofer	2018	04/28/2022
Heinz Loosli	2017	04/28/2022

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 2021 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. In November an extraordinairy meeting took place with regard to the acquistion of Kienle + Spiess GmbH. 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 regularly 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 discontinue to award internal audit tasks to an external auditor.

GROUP MANAGEMENT

As at December 31, 2021

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

Samuel Künzli
(1984, CH) Chief Financial Officer

Position: CFO Feintool Group

Qualifications:
Master in Accounting and Finance, University of St. Gallen
Swiss CPA (Certified Public Accountant)

Professional background:
- 2008–2012 KPMG Zurich Auditor
- 2012–2013 Stadler Rail CFO Stadler Minsk (Belarus)
- 2014–2018 Stadler Rail CFO Division Central Europe
- 2019–2020 Stadler Rail CFO Division Switzerland
- Since April 2021 CFO 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, 2021. 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/2019_Ablagestruktur/Company/Corporate_Governance/Principles/FIH_Statuten_20210420.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 Wednesday, April 20, 2022 (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 20, 2021, 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 2021 financial year amounted to CHF 527 000.

8.3 Additional fees
In the reporting period, KPMG AG agreed a total fee of CHF 11 200 for audit-related services and CHF 508 100 for M&A consulting services.

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. Seven press releases were published during the financial year from January 1 to December 31, 2021. 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 2021. 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	Walter Bamert

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 2021 financial year, two such letters were sent on the subjects of the 2020 year-end financial results and the 2021 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

On December 6th 2021, Feintool agreed to acquire Kienle + Spiess GmbH, a major manufacturer of stators and rotors for electric drives. The acquisition will significantly strengthen Feintool's position in E-lamination and extend its manufacturing footprint. The approval by the antitrust authorities was received end of February 2022. The preliminary share purchase price is estimated at EUR 71 million plus debt and pension liabilities of around EUR 100 million and depends on purchase price elements such as net debt and actual working capital in relation to target working capital. The exact amount and distribution of the assets are not yet known. Kienle + Spiess GmbH generated sales of approximately EUR 140 million in 2020/2021.

was announced on December 7th 2021 got all relevant antitrust approvals.

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 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 2021 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 2021 financial year				
Alexander von Witzleben, Chairman	250 000	291 500	128 200	**669 700**
Christian Mäder, Deputy Chairman	140 000	–	–	**140 000**
Dr. Marcus Bollig, Member	47 500	–	–	**47 500**
Norbert Indlekofer, Member [7)]	77 500	–	10 598	**88 098**
Heinz Loosli, Member	47 500	–	–	**47 500**
Total Board of Directors	**562 500**	**291 500**	**138 798**	**992 798**
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**

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 217 826 (previous year CHF 206 244). 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 2021 and 2020 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 2021 financial year						
Knut Zimmer, CEO	472 000	300 000	119 954	8 467	288 465	**1 188 886**
Dr. Thomas F. Bögli, CFO until April	123 000	50 000	11 656	1 947	36 648	**223 251**
Samuel Künzli, CFO starting from May	211 854	83 333	23 312	3 691	53 101	**375 291**
Total Group Management	**806 854**	**433 333**	**154 922**	**14 105**	**378 214**	**1 787 428**
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**

[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 103 914 (previous year CHF 103 914), Thomas F. Bögli CHF 10 099 (previous year CHF 30 295) and Samuel Künzli CHF 20 197 (previous year CHF 0).

[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
2021 total for former members	240 000	100 000	23 312	–	65 177	**428 489**
2020 total for former members	–	–	–	–	–	**-**

[1] Contractually agreed salary.

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

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, 2021. 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 120 to 122 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended December 31, 2021 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

Yannick Peter
Licensed Audit Expert

Zurich, March 1, 2022

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

ADDRESSES OF OUR OPERATING COMPANIES

as at December 31, 2021

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