

Media Release

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Corporate Communication

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Feintool restructures to boost earning power

In the first nine months of fiscal 2000/2001, the Feintool Group posted consolidated net sales of CHF 330.5 m (up from CHF 306.6 m in the previous year). The third quarter was weaker than expected, due in particular to business trends in North America. The order intake and the good order backlog in the press business are not able to compensate the slower pace of business in the US. This is due to a capacity shortage for the manufacturing of the new press HFA plus. Various measures and structural change already under way will strengthen the Group's earning power as of fiscal 2001/02 but will also involve additional expenditures in the current financial year. Taking account of these measures, Feintool Group expects to post net sales of CHF 460-475 m for the year to 30 September 2001 (prior year: CHF 427.7 m.). With an operating margin of 5-6%, it puts net income at around CHF 16-19 m. The measures and structural changes now being implemented will allow Feintool to increase its earning power even in a stagnating business environment and to reap benefits from its more streamlined structures once the economy revives.

All three areas of business were confronted by the economic cooldown in North America, though the Fineblanking/Forming Segment in particular suffered a further fall-off in business in the USA in the third quarter. As per 30 June 2001, the parts production in North America shows compared to the previous year more than 15% lower net sales. In the first nine months of the financial year, the core Fineblanking/Forming Segment posted net sales of CHF 186.6 m (down from CHF 210.1 m in the previous year). In the same period, the Assembly/Automation Segment achieved sales of CHF 96.4 m (year back period: CHF 51.1 m) while the Plastic/Metal Components Segment contributed CHF 47.5 m (prior year: CHF 45.4 m) to consolidated sales.

Feintool has initiated the following structural changes to raise its earning power:

Concentration of fineblanking parts production in Cincinnati

With the US economy performing less well than expected, production capacity in Cincinnati and at the new plant in Tennessee cannot be fully utilized at present. By concentrating fineblanking production in Cincinnati, capacity in Tennessee will be reduced and overheads in the North American components business adjusted accordingly.

Utilization of synergies at Feintool-Schmid

Synergies accruing to the Feintool presses business from the integration of Schmid will be exploited more fully by optimizing worldwide sales and marketing structures. The dual-branding strategy, which has proven effective, will be retained. The capacity for the manufacturing of the new press generation HFA plus will be increased.

Restructuring of Afag

Now that the two Systems operations (Huttwil and Aarberg) have been concentrated, this business will be restructured. In addition, the assembly technology in Pfäffikon and the automation components business in Huttwil are united under the name of "United Components" and strengthened by powerful distribution channels.

Streamlining of organizational structure at Mühlemann

The organizational and management structures at Mühlemann in Biberist will be simplified and brought into line with market requirements. At the same time, the product portfolio will be reviewed and updated.

These measures will result in a reduction in the headcounts in North America and in the Systems business in Aarberg by about 50 persons. However, the decrease will be brought about mainly by natural fluctuations; very few staff will have to be laid off. The policy to build up qualified staff and to develop key employees will consequently be followed.

Effects on the current (2000/2001) financial year

The restructuring measures will result in additional expenditures of around CHF 5-7 m in the current financial year. Factoring in the slower pace of business in North America and the limited manufacturing capacity in the press business, Feintool Group is predicting consolidated sales of CHF 460-475 m for the current financial year. After taking account of the restructuring costs, the operating result will be in the range of CHF 23-27 m and the net result approximately CHF 16-19 m.

Implications for the 2001/2002 financial year

The measures being implemented will enable Feintool to enhance its earning power even in a slack business environment and to reap substantial benefits from its more streamlined structures once the economy revives. Thanks to the structural changes, moreover, Feintool will be able to resume the growth – in terms of both operating and net results – which it recorded in the last few years.

Lyss, 20 July 2001

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