

passion
for precision



13/14

Annual Report of the FRAISA Group

Board of Directors and Executive Board



**Board of Directors and Executive Board
of the FRAISA Group**
(from left to right)

Josef Maushart
Prof. Dr Peter Ruf
Dr Fritz Gantert
Ursula Maushart
Dr Markus Schibli
Charlotte Froelicher-Stüdeli
Thomas Nägelin
Hanspeter Kocher

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Editorial



Dear colleagues,
customers, readers

Industrial production is the foundation for prosperity for wide parts of the population. Consumption for all is unthinkable without industrial production. But surprisingly, the term “industry” is not only associated with positive connotations.

Old images from the beginnings of industrialisation are mixed with the fear of the effects of current globalisation. However, most industrial enterprises fit neither picture. They are owner-run companies with a strict appreciation of social, community and ecological aspects. But less notice is taken of them than of the global giants, although they employ more people in total.

We would like to correct this image with the following business report. Using our example, we want to show with lots of pictures and clear facts what a typical owner-run industrial enterprise really looks like.

We are creating transparency to gain trust. We want to convey a realistic impression of the medium-scale industrial sector and we hope that others will follow our example, although they are also not legally bound to release data. We need to gain the trust of people around us to ensure good long-term site conditions and, above all, the junior staff we so urgently require.

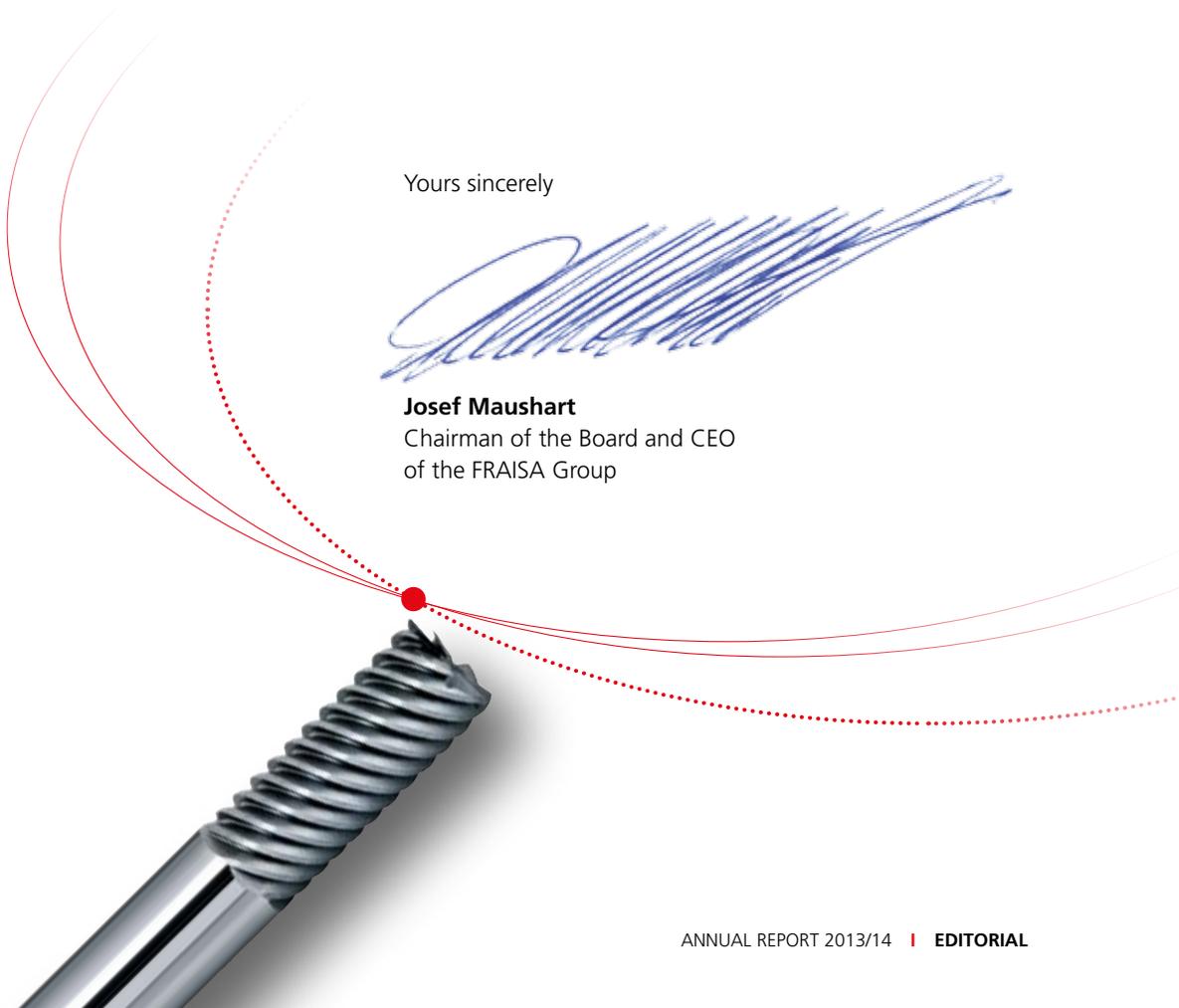
We trust that you will find these insights into our world of “industry by the people for the people” interesting and hope to inspire you about our work.

[5]

Yours sincerely

A blue ink handwritten signature, appearing to read 'Josef Maushart', written in a cursive style. The signature is positioned above the printed name and title.

Josef Maushart
Chairman of the Board and CEO
of the FRAISA Group



Overview of the group's key figures

(Financial figures according to SWISS GAAP FER)

476

EMPLOYEES

458.3

FULL-TIME EQUIVALENTS¹

77.6 million
CHF

BALANCE SHEET TOTAL²

36.5 million
CHF

(47.0 %) **EQUITY**²

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TURNOVER²

90.5 million
CHF

EBITDA²

19.1 million
CHF

(21.1 %) OF TURNOVER

RESULT²

9.0 million
CHF

(10.0 %) OF TURNOVER

EXPENDITURE

4.6 million
CHF

for **product** and
technology development

INVESTMENTS

9.7 million
CHF

for **machines, plants,**
vehicles and **properties**

¹ as per 28 February 2014

² according to SWISS GAAP FER

³ Consumption of resources per full-time equivalent and year
(excluding travel to and from the workplace)

CONSUMPTION OF RESOURCES

ELECTRICITY³

22,820

kWh

CONSUMPTION OF RESOURCES

FUEL³

632 l

CONSUMPTION OF RESOURCES

NATURAL GAS³

4,023

kWh

CONSUMPTION OF RESOURCES

WOOD³

2,422

kWh

CONSUMPTION OF RESOURCES

WATER³

7.3 m³

**PRODUCTION
AND RETAIL SPACE⁴**

21,078

m²

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EXPENDITURE
for **education** and
training

681,729 CHF

EXPENDITURE
for the support of
social and
cultural activities

211,899 CHF

approx.
800 h

**VOLUNTARY
WORK⁵**

389

(81.7 %)

**EMPLOYEES
WITH COMPLETED
PROFESSIONAL TRAINING**

133

(27.9 %)

**EMPLOYEES
WITH HIGHER EDUCATION**

23

(4.8 %)

**EMPLOYEES
IN THE DUAL VOCATIONAL
TRAINING SYSTEM (CH AND D)**

4 The total area is divided up as follows:
Production: 15,393 m², **Logistics:** 2,145 m²,
Sales: 1,886 m², **Administration:** 1,654 m²

5 Voluntary work by the members of the Management Board
of all companies in societies, associations, political parties and
other non-profit organisations.

Company, targets and business development

Today, the FRAISA Group consists of 7 companies in 6 countries. We are an independent, middle-sized company and want to stay that way. We are very enthusiastic about our work with cutting tools. We develop and produce these products with true passion.

Above all, we want to be a good partner for our customers, thereby contributing to the further optimisation of industrial production. Industrial production makes security, health and prosperity possible for wide sectors of the population. This is the primary advantage in comparison to the pre-industrial era, where these goods could only reach a few people. We are very proud of the fact that we are able to make a contribution to the further development of industrial production with our work.

The financial year was very positive in all aspects. The turnover was increased by 7%, the overall performance (gross yield) by 8%, the EBITDA by 27% and the profit by 28%. The balance sheet structure was also improved further; the equity ratio was increased from 43% to 47%.

Record investments of 9.7 million CHF were made. The focus here was on investments in technology and efficiency. Investments in technology were made particularly at the branches in Germany and Switzerland to increase productivity. Thanks to the growth, these rationalisations could be achieved without job reductions.

FRAISA Holding AG



47%
EQUITY RATIO

28%
PROFIT INCREASE

9.7 million
CHF
INVESTMENTS

7%
INCREASE IN
TURNOVER

8%
INCREASE IN
OVERALL PERFORMANCE

27%
EBITDA
INCREASE

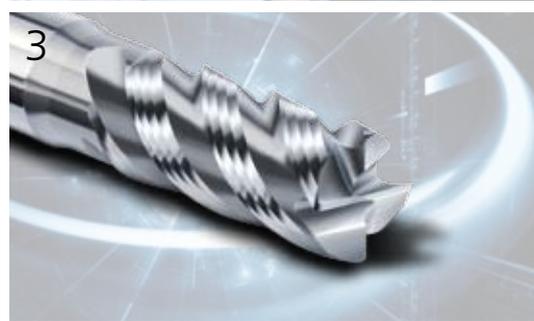
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SERVICES



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Range of services of the FRAISA Group

Services provided by the local branches

		FRAISA SA	FRAISA Deutschland	FRAISA France	FRAISA Italia	FRAISA Hungaria	FRAISA USA	
FOR CUSTOMERS	Technical advice	●	●	●	●	●	●	
	Machining training ToolSchool	●	●	●	●	●	●	
	Milling tools	Series product	●	●	●	●	●	●
		Custom-made products	●	●	●	●	●	●
	Threading tools	Series product	●	●	●	●	●	●
		Custom-made products	●	●	●	●	●	●
	Drilling tools	Series product	●	●	●	●	●	●
		Custom-made products	●	●	●	●	●	●
	Central logistics	●	●	●	●	●	●	
	Logistics solution ToolCare®	●	●	●	●	●	●	
	ReTool®	●	●	●	●	●	●	
	FOR SALES PARTNERS	Technical advice	●	●	●	●		●
		Machining training	●	●	●	●		●
Milling tools		Series product	●	●	●	●		●
		Custom-made products	●	●	●	●		●
Threading tools		Series product	●	●	●	●		●
		Custom-made products	●	●	●	●		●
Drilling tools		Series product	●	●	●	●		●
		Custom-made products	●	●	●	●		●
Central logistics		●	●	●	●		●	
ReTool®		●	●	●	●		●	
Marketing advice		●	●	●	●		●	
Applications support ToolSchool		●	●	●	●		●	

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Fig. 1: Technical advice, Fig. 2: Training ToolSchool, Fig. 3: Products, Fig. 4: Central logistics, Fig. 5: ToolCare®, Fig. 6: Marketing advice, Fig. 7: Applications support ToolSchool

Network of the FRAISA Group

Services provided by the subsidiaries



FRAISA SA

Principles:

- Product and technology development

Production:

- Production of milling, threading and drilling tools

Service und advice:

- Technical advice
- Training centre ToolSchool
- ToolCare®

Sales:

- Central warehouse and logistics
- Sales Switzerland, Europe, Asia and South America



FRAISA Deutschland GmbH

Principles:

- Technology development

Production:

- Production of milling and drilling tools for special solutions
- Production ReTool®

Service und advice:

- Technical advice
- ToolCare®

Sales:

- Sales Germany



FRAISA USA, Inc.

Production:

- Production of milling tools
- Production ReTool® (North America)

Service und advice:

- Technical advice
- ToolCare®

Sales:

- Central logistics (North America)
- Sales USA, Canada and Mexico



FRAISA France Sarl.

Service und advice:

- Technical advice
- ToolCare®

Sales:

- Sales France, Spain and Luxembourg



FRAISA Italia s.r.l.

Service und advice:

- Technical advice
- ToolCare®

Sales:

- Sales Italy



FRAISA Hungária Kft.

Production:

- Production of milling and drilling tools
- Unfinished parts HSS

Service und advice:

- Technical advice
- ToolCare®

Sales:

- Sales Hungary





Each of our companies has special skills. All FRAISA companies cooperate in a network. In this way, we make all competences available to all customers. In doing so, we maximise the range of services for our partners and minimise the effort required to provide them.

Switzerland, for example, stands for product and technology development, while FRAISA Germany supplies special tools and ecologically valuable tool reconditioning for all European companies.

FRAISA Hungaria, in turn, produces tools, which have already been perfected and have to be produced in large quantities, at particularly favourable conditions.

And our distribution companies and sales departments ensure that all of our knowledge flows into our customers' value creation process. At the same time, they are the bridge builders between the needs of our customers and the solutions of our technology departments.

All our companies are certified according to ISO 9001, ISO 14001 and OHSAS 18001, except for FRAISA USA, which is on the way to achieving this certification.

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[14]

PRODUCTION

Production and quality assurance



FRAISA works with the most up-to-date production machines from selected partners. The technological standard is constantly upgraded in close cooperation. From soft machining and cylindrical grinding, the actual tool grinding to surface technology, all production processes take place in our own facilities.

We attach just as much importance to the innovative further development of our production processes as to the actual product development. Our measurement technology includes all areas of geometry and materials testing, in keeping with current technological know-how.

Investments of 9.7 million CHF highlight the level of significance we at FRAISA production development attach to quality assurance.



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[16]

TEST CENTERS

Test and application Centers



CAD/CAM simulations, Finite Element Methods (FEM) and scientific findings have changed the developmental processes of tools in recent years. Yet, new products undergo numerous technical tests before they enter serial production.

And the actual product development at FRAISA is followed by application development. Here, optimal application strategies and application data for our new products are worked on in a state-of-the-art application environment.

Only when a perfect and validated product is available and the application strategies have been determined, do we bring our products onto the market. This handover takes place in connection with comprehensive training sessions for employees, sales partners and customers. As even top products will actually only become fully productive when the required knowledge base is available for optimal application.



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[18]

PRODUCTS

Products



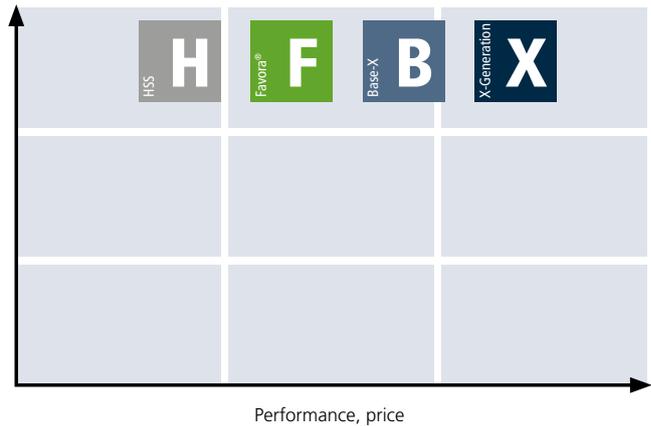
FRAISA offers 8,000 series products. In the 2014 catalogue alone, 984 new articles were included. Each one of them had been carefully developed and validated.

FRAISA innovations belong to the technological excellence class. But the most expensive is not necessarily the most economical. For this reason, FRAISA drilling and milling tools are made in four performance and price categories.

X-Generation stands for extreme performance potential, **Base-X** for the universal standard, **Favora®** for a small selection of extremely cost-effective tools. And for simple requirements we still have the HSS class. All four categories carry the FRAISA quality seal, as they naturally originate from our own development and our own production.

Products to suit all requirements

Quality, precision, reliability



X-Generation:
For highest performance and precision.

Base-X:
For universal use.

Favora®:
Inexpensive and technically perfect.

HSS:
The cost-effective alternative.

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CUSTOMER SERVICE



Customer service



One of our exceptional characteristics is the balanced combination of innovative products, comprehensive knowledge transfer and an exemplary range of services. What once started off as the first cutting data book for milling tools, is today a comprehensive information system in printed and electronic form.

We have 120 experienced consultants available to our customers telephonically and on site. They all have one goal, namely to provide the best possible advice for our customers. Our technology teams in Germany, Switzerland, Hungary and the USA annually design 3,000 special customised solutions.

Every month, around 1,000 customers use our service for the ecologically valuable, true-to-original reconditioning of tools. And over 800 customers bank on our ToolCare® premium package, which through cross-company cooperation offers true added value to both partners.



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Overview of services



The key elements of FRAISA's success:

- The group's comprehensive range of services for customers and sales partners.
- Network of subsidiaries.
- Own production at different local branches with uncompromising quality assurance.
- Intensive transfer of know-how.
- Comprehensive test and application centres.
- Wide product range to suit all requirements and a wide variety of applications.
- Service-oriented customer service and intensive advisory service by our sales representatives.

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4

PERFORMANCE
CATEGORIES

1,000

CUSTOMERS **ReTool®**

120

ADVISORS

800

CUSTOMERS **ToolCare®**

984

NEW ARTICLES IN 2014

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SUSTAINABLE
DEVELOPMENT





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VALUES



Values



When Hans Stüdeli handed the business over to members of a younger generation in 1995, after 41 years of formative and passionate work, they identified the key values of FRAISA together with the workforce and embedded it in its mission statement. And these key values continue to apply unchanged:

- **Quality and technological advancement** for the product and in production.
- **Collegial communication** and high personal responsibility.
- **Cooperation** with all partners for mutual benefit.
- **Environmentally friendly products** in ecologically compatible processes.
- **Fairness** in everything we do.
- **Preservation of autonomy** as an owner-run company.

Furthermore, the Supervisory Board and Management Board are committed to the ideas and work of the Global Ethic Foundation (www.weltethos.de).

For us, the most important principles of the global economic ethic are:

- The dignity of all people is inviolable.
- Sustainable business management never only serves one's own interests.
- The golden rule of reciprocity: Do unto others as you would have them do unto you. It stands for reciprocal responsibility, solidarity, fairness and tolerance.
- Occupational safety, product safety and safety of products are fundamental requirements.
- Responsibility, integrity, transparency and fairness are fundamental values of economic activities which are characterised by compliance and integrity.
- Corruption is unacceptable.
- Truthfulness, honesty and reliability are values without which sustainable economic relations, which safeguard human welfare, cannot thrive.
- The discrimination of people because of their sex, race, nationality or religion is unacceptable. Inhuman actions or dealings contrary to the principles of human rights will not be tolerated.

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HEALTH



Health and occupational safety

Sustainability within a company means sustainability amongst the employees.

Respect for and implementation of our values results in a corporate culture which motivates and produces space for development for each individual.

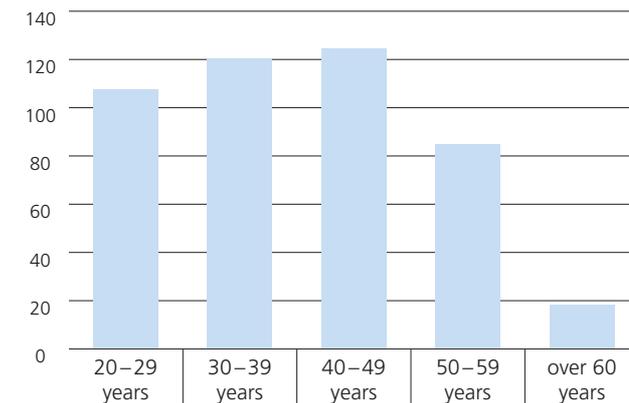
Our age distribution shows many years of experience, but also youthful dynamism. Owing to the long-term approach of our HR policy and our promotion of junior staff, we keep a good age equilibrium (see image on the right).

We attach great importance to occupational safety, which is evident in our very low accident rate. Absences due to illness are also very low. We have a very good value of 2.7% lost hours. It mirrors the high level of motivation, the safe working environment and the good level of fitness of our employees.

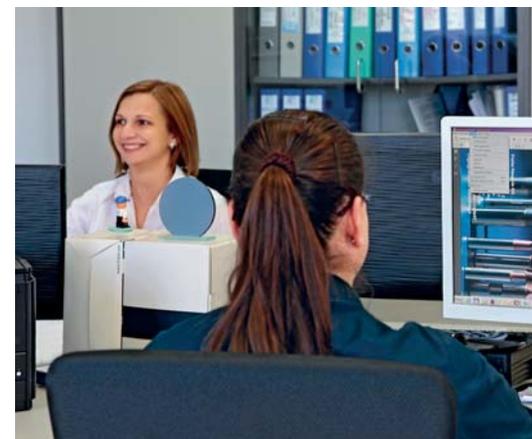
Investment in ergonomics, air quality and healthy nutrition play a supporting role. The annual staff turnover of 3.4% stands for a healthy attitude of sustainability and openness and creates new chances for the individual.

Age distribution of the employees

Employees



[27]





[28]

LEARNING





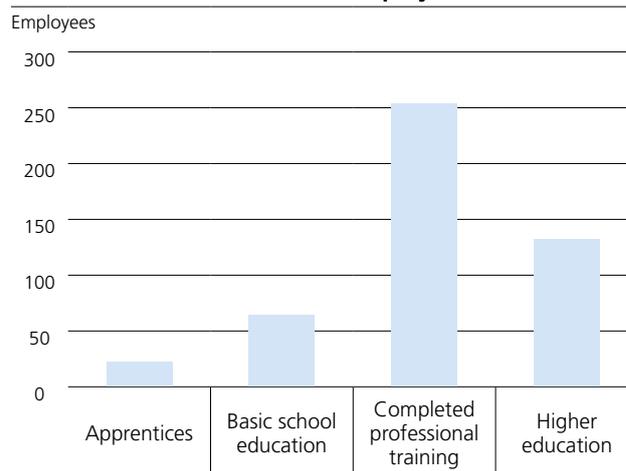
Learning

We invest in our own junior staff, also give adults access to initial training and encourage staff to take part in further education regularly. For the year under review, 23 young people were doing their “apprenticeship” in Switzerland and Germany in the course of the dual educational system. 117 employees took part in major advanced training. 39 of these took part in a training programme with more than 300 annual hours.

In the financial year 2013/14 682,000 Swiss Francs or 0.8 % of the turnover was spent on these training measures. Only 13.4% of the employees have no completed professional training. 28% of the employees have a higher-level vocational training.

In the course of her visit on 1 May 2014, the Swiss Federal Councillor Simonetta Sommaruga even made a special mention of FRAISA’s adult training and integration of persons with a migration background.

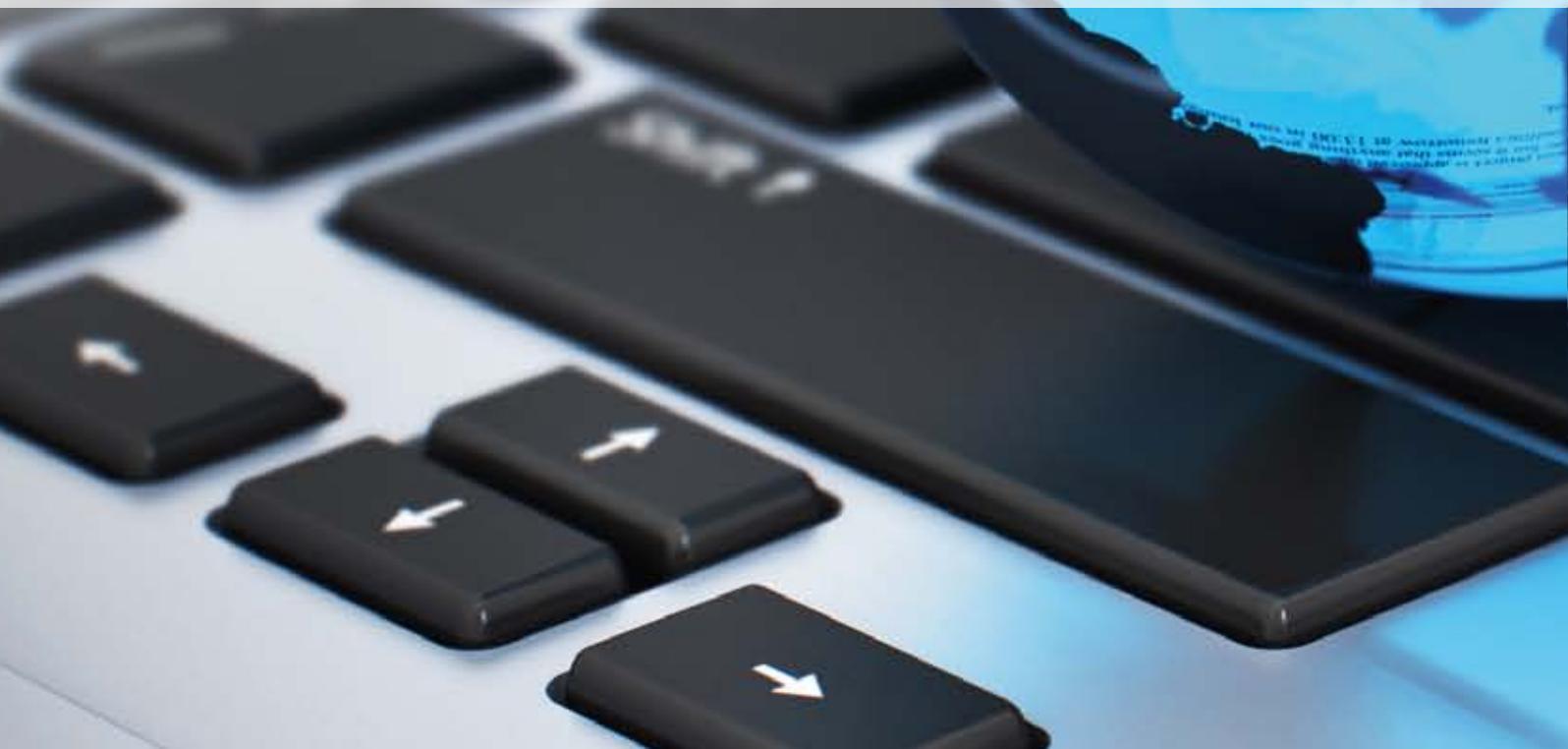
Qualification structure of the employees





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INNOVATIONS



Innovations



Change in the sense of innovation is the foundation for a long company history. And entrepreneurial spirit is the source of energy for it. FRAISA was founded 80 years ago – and has been innovative since then.

After all, 1,000 new articles have been developed, produced, validated and introduced onto the market over the past 24 months. They belong to the 12 technology groups which have been built up anew over this period. Every single one of them stands for more productivity and a longer service life. In this way we contribute to the constant improvement of the economic efficiency of our customers, since they have to face international competition just as we do. And we can be competitive and sustainable only if we work together.

Our open, creative corporate culture is the foundation for those successful innovations. And of course they don't only apply to the products but also to processes and services. Accordingly, the range in the ToolCare® and ToolExpert sector has recently been extended significantly. But exceptional progress was also made in automated production with unmanned operating times of over 50 hours.



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[32]

RESOURCES

Resources

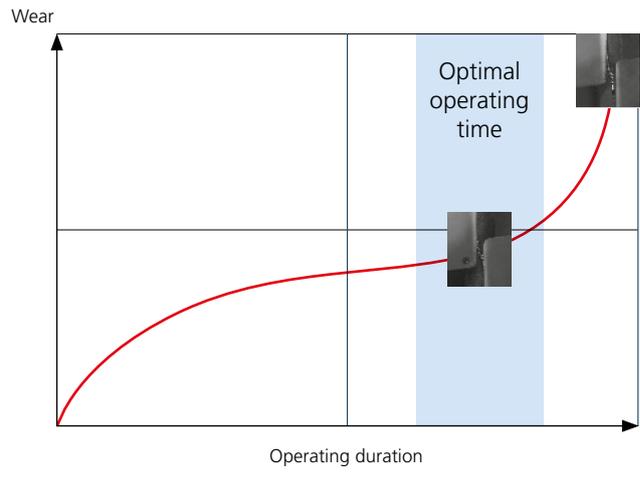


Careful use of resources belongs to the fundamental convictions of FRAISA. For example, we attach importance to efficient technology, enter into cooperations for composite heating solutions, and also back the reconditioning of tools.

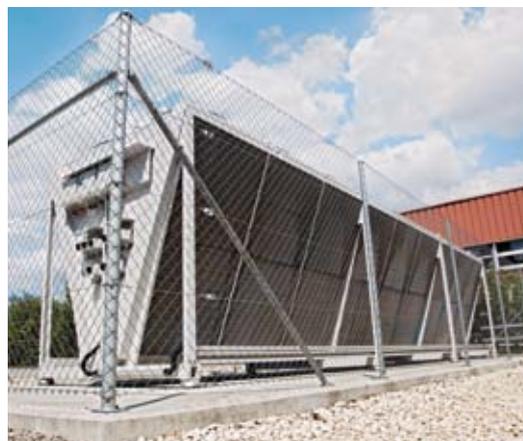
Thus, in the financial year 2013/14 it was possible to realise 360,000 tool applications thanks to ReTool® without any use of raw materials and with only a third of the energy expenditure of new tools. This is equivalent to savings of approx. 35,000 kg of wolfram, 3,500 kg of cobalt and approximately 1 million kWh of electricity.

Strong rules apply for the purchase of company vehicles with regard to energy efficiency and exhaust emissions. Coupled systems are used for cooling processes in order to keep the energy expenditure as low as possible. In Bellach, Switzerland, a respective plant was sponsored by the Swiss Confederation because of its outstanding energy efficiency. It allows cooling of all production processes and production facilities without the use of refrigeration equipment up to an outdoor temperature of 17°C.

Tool wear depending on operation time



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COMPANIES

Corporate Governing Bodies



Board of Directors of FRAISA Holding AG and FRAISA SA

(from left to right)

Ursula Maushart
Dr Fritz Gantert
Prof. Dr. Peter Ruf
Charlotte Froelicher-Stüdeli
Josef Maushart
Dr Markus Schibli



Executive Board of FRAISA Holding AG and FRAISA SA

(from left to right)

Thomas Nägelin
Head of the Sales & Marketing Division

Josef Maushart
Head of the Production Division Switzerland, Product development, Chairman of the Executive Board

Charlotte Froelicher-Stüdeli
Head of HCM

Dr Markus Schibli
Head of the Production Division Hungary, Procurement, Market development Asia

Hanspeter Kocher
Head of the Financial Division, IT, Logistics

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Here, you will be provided with further information on the FRAISA Group.

You can also use our ordering service via our E-Shop and benefit from our changing offers.

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