

advaltech

F I N A N C I A L R E P O R T S 2 0 0 3

2003

Group	
Situation report	4
Key figures	5
Consolidated financial statements	
Accounting principles	6
Consolidated balance sheet	9
Consolidated income statement	10
Consolidated cash flow statement	11
Explanatory notes to the consolidated financial statements	12
Report of the group auditors	22
Adval Tech Holding Ltd	
Balance sheet	23
Income statement	24
Appendix	25
Proposal by the Board of Directors	25
Report of the statutory auditors	26
Addresses	27

These financial reports are an integral part of the Adval Tech annual report 2003.

LEAP IN PROFITS

The Adval Tech Group achieved significantly better results in 2003 than in the previous year. Total income of CHF 241 million was 39% higher than in 2002. With operating earnings (EBIT) of CHF 25.7 million (+61%) the group almost equaled the record figure of 2000, and in net profit (CHF 17.1 million) Adval Tech posted a rise of 59%.

German moldmaker FOBOHA GmbH, acquired at the end of 2002 and consolidated for the first time in the year under review, made a substantial contribution to these good results. The integration process has been extremely successful to date. FOBOHA contributed some 77% to growth in total income at the Adval Tech Group. Taking acquisition financing into account, its contribution to net profit amounted to some 20%. The expectations on which this acquisition was based have thus been clearly exceeded.

Through improvements in process control, layout modifications in production operations and other organizational adjustments, the Stamping and Forming Division has continuously increased its EBIT margin in recent years. Compared with the previous year, the division posted only a slight increase in total income (from CHF 97.3 million to CHF 100.3 million), but a marked rise in EBIT (from CHF 2.0 million to CHF 3.3 million). Styner+Bienz made important gains in market share in a difficult economic environment in 2003, especially in components and systems for the automotive industry. A large number of newly acquired projects contributed to this, for example for ABS components, steering column subassemblies, airbag and fuel injection parts. However, the market for production systems was especially thin, with capital spending virtually at a standstill in almost all sectors. Demand was also below expectations in the market for subassemblies produced using CNC technology.

In the Injection Molding Division not only FOBOHA exceeded expectations. Total income at the division increased from CHF 76.1 million to CHF 141.6 million, operating earnings from CHF 13.4 million to CHF 22.9 million. AWM moldmaking operations recorded further strong gains at a high level. Among other things, the positive market environment for molds used to manufacture optical discs (ODs) and OD packaging was successfully exploited to the full.

However, AWM volume components manufacturing continued to suffer as a result of the general economic trend, but capacity utilization problems in this connection were alleviated by large orders from the automotive industry. AWM commenced production of millions of cavity sealing modules for the automotive industry at mid-year.

Adval Tech shares put up an excellent performance in the past year. After starting the year at CHF 305 and recording a low point of CHF 280 in March, they closed the year at CHF 485 (+59% year-on-year). The Board of Directors has decided to modify the presentation of the company's accounts to comply with International Financial Reporting Standards (IFRS) as of the 2005 financial year. Adval Tech shares will thus continue to be listed on the main board of the Swiss Exchange (SWX), which will further increase their attraction for investors.

Following the very encouraging development of the group in 2003, the emphasis will be on consolidation in 2004. With the free cash flow that is to be expected as a result of our cautious investment policy in the next few years, we intend to make further substantial reductions in net debt in the foreseeable future.

KEY FIGURES OF THE ADVAL TECH GROUP

	2003	2002	2001	2000	1999
Total income (CHF millions)					
Group	240.969	172.973	177.283	209.573	165.460
change in %	39.3	-2.4	-15.4	+26.7	-1.3
per employee (CHF thousands)	240.248	213.021	222.857	266.802	212.947
Stamping and Forming Division	100.332	97.290	104.183	98.416	95.466
Injection Molding Division	141.647	76.138	73.878	112.488	70.384
EBITDA (CHF millions)					
Operating earnings before depreciation	43.7	31.5	28.1	41.9	22.7
in % of total income	18.1	18.2	15.9	20.0	13.7
Stamping and Forming Division	10.4	10.1	8.1	6.4	1.9
Injection Molding Division	33.4	20.6	19.5	34.8	20.4
EBIT (CHF millions)					
Operating earnings	25.7	15.9	13.8	27.2	11.4
in % of total income	10.7	9.2	7.8	13.0	6.9
Stamping and Forming Division	3.3	2.0	0.9	0.6	-2.9
Injection Molding Division	22.9	13.4	12.5	26.0	13.9
Net profit (CHF millions)					
Net profit for the year	17.1	10.8	10.6	19.0	8.4
in % of total income	7.1	6.2	6.0	9.1	5.1
Cash flow and capital expenditure (CHF millions)					
Cash flow from operations	34.3	35.4	29.8	21.7	10.1
Free cash flow	-14.0	23.8	-1.1	-14.1	-10.5
Capital expenditure	19.8	15.5	32.2	32.0	21.3
Balance sheet figures (CHF millions)					
Total assets	254.8	216.8	228.6	222.0	186.9
Shareholders' equity	109.2	115.4	115.6	109.9	94.3
in % of total assets	42.9	53.2	50.6	49.5	50.5
Employees					
on December 31	1,013	828	796	795	776
Market capitalization (CHF millions)					
on December 31	169.8	106.8	119.0	202.7	140.4
Selected key figures per share					
Earnings (CHF)	48.98	30.75	30.22	54.36	23.90
Dividend (CHF)	14.00 ¹⁾	12.00	12.00	12.00	10.00
Payout ratio in %	28.6	39.0	39.7	22.1	41.8
P/E ratio on December 31	9.9	9.9	11.3	10.7	16.8

1) Proposed by the Board of Directors

ACCOUNTING PRINCIPLES

GENERAL INFORMATION

The consolidated accounts are based on the financial statements drawn up by the individual group companies in accordance with uniform principles as at December 31.

The consolidated financial statements have been prepared in conformity with the recommendations issued by the Board for Financial Reporting Standards (Swiss GAAP FER). The consolidated financial statements provide a true and fair view of the company's financial position, results of operations and cash flows.

CONSOLIDATION PRINCIPLES

Capital consolidation is performed according to the Anglo-Saxon method and is intended to show shareholders' equity as though the group were a single company. Subsidiaries and investment holdings are included in the scope of consolidation from the date of acquisition or incorporation. Assets and liabilities are valued in accordance with uniform group principles on this date. Any difference between the purchase price and the shareholders' equity of the acquired company remaining after revaluation is stated in the balance sheet as positive or negative goodwill, or posted directly to shareholders' equity. Positive goodwill items are written off over the expected useful life not exceeding 20 years as a charge to the income statement, negative goodwill items are liquidated pro rata over 5 years as a credit to the income statement.

Companies are included in the consolidation according to the following **methods**:

- Companies in which Adval Tech Holding Ltd holds a direct or indirect capital or voting interest of **more than 50%** and/or the group exercises management and control, are fully consolidated. In such cases, assets and liabilities, expenses and income are included in full in the consolidated financial statements. If appropriate, minority interests of other shareholders in net assets and net profit are segregated and stated separately. Accounts receivable, accounts payable, income and expenses between group companies are mutually offset. Intragroup profits or losses on intercompany deliveries are estimated and eliminated via the income statement.
- Associated companies in which the group controls **between 20% and 50%** of the votes are included in the consolidated financial statements using the equity method if they are of economic significance and a permanent association is intended. The share of profits and shareholders' equity attributable to the Adval Tech Group is then included.
- All **other investments** are included in the balance sheet at cost less any provisions.

The group applies the following principles in respect of **foreign currency translation**: the balance sheets of foreign companies are translated at year-end exchange rates, the income statements at average rates for the year. The differences arising from translation are directly credited or debited to shareholders' equity. Gains or losses on currency transactions by the companies are posted to the income statement. Exchange rate differences arising on loans granted to group companies for long-term financing of investments are posted directly to shareholders' equity.

The companies included in the consolidation and the exchange rates applied are listed in the explanatory notes to the consolidated financial statements.

VALUATION PRINCIPLES

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. Assets and liabilities are valued individually. The main accounting principles are set out below.

Current assets

- **Liquid assets** include cash, credit balances on postal giro and bank accounts, time deposits and readily marketable securities. These are included in the balance sheet at market value on balance sheet date.
- **Receivables** include trade accounts receivable and other short-term receivables. These are stated at face value less individual provisions for specific credit and exchange risks.
- **Inventories and work in progress** are stated at the lower of acquisition/manufacturing cost or market value. Provisions are made for risks inherent in the inventories. Long-term orders with individual contract values of more than CHF 0.5 million are stated according to the percentage-of-completion method. Income and costs are taken into account according to the degree of completion. The degree of completion is calculated according to the cost-to-cost method. Discounts are included in financial income.

Fixed assets

- **Tangible fixed assets** are stated at cost less accrued depreciation, which is calculated using the straight-line method on the basis of estimated useful life. In the case of buildings we apply a useful life of 30 to 40 years, for machinery, equipment and fixtures 5 to 15 years, for especially long-lived machinery up to 25 years, for office equipment and machinery including computer hardware and software 3 to 8 years. Interest on borrowings arising from the establishment of new tangible fixed assets is included as expenditure in the period in which it is incurred.
- **Financial assets** consist of investment holdings consolidated using the equity method, other investments, securities in the nature of long-term investments, treasury stock and long-term loans to third parties. Securities and treasury stock are stated at the lower of cost or market on balance sheet date, loans at face value less accrued provisions.
- Patents, licenses and trade marks, whether originating in-house or acquired, are not capitalized in the consolidated financial statements. Research and development costs are charged to the income statement. Any goodwill arising from the acquisition of a company is capitalized under **intangible assets** and written off using the method described above, unless it was offset directly against shareholders' equity upon purchase. Costs of incorporation, which are written off over 5 years, are also included in this item.
- **Capital goods** financed by long-term leasing contracts (financial leasing) are capitalized and written off over their useful life. The relevant leasing commitments are included under liabilities.
- If there is evidence of **impairment of assets**, their realizable value is estimated. Impairments are

posted to income if the book value of an asset is higher than its realizable value; this is the higher of the net disposal value and the useful value of an asset, which corresponds to the net present value of the estimated future cash flow.

Liabilities

- Trade **accounts payable** and other liabilities are stated in the balance sheet at face value. Liabilities maturing in less than one year, as well as that portion of long-term liabilities which is due for repayment within one year, are regarded as short-term.
- **Accrued liabilities** include non-interest-bearing amounts owed on balance sheet date, such as social security contributions and insurance premiums, allowances for holiday and overtime entitlements, and similar liabilities, including provisions for current taxes.
- The provision for **deferred taxes** takes account of the income tax implications of the differences between balance sheet figures for assets and liabilities compiled for consolidation purposes and those required for local taxation purposes. These are calculated on the basis of an overall rate per country. The provision is adjusted directly via tax expenses.
- Warranties, risks, impending losses and restructuring costs are included in **provisions**. These provisions relate exclusively to transactions originating in the old financial year. The size of the provisions is based on management estimates and reflects future expenses as expected on balance sheet date. Provisions for receivables are charged directly to the relevant receivables (collection risk).

Shareholders' equity

The following distinctions are made in respect of reserves:

- The difference between shareholders' equity and the original cost of the investment holdings stated in the context of the uniform valuation of assets and liabilities on January 1, 1996, is posted to **capital reserves**. These include revaluation reserves, differences in offsetting capital in connection with newly consolidated companies, etc. Any positive or negative goodwill is treated in accordance with the consolidation principles set out above.
- The **revaluation reserves** represent the differences arising from the revaluation of tangible fixed assets after January 1, 1996.
- **Retained earnings** include all profits generated by the group itself since January 1, 1996, and not distributed.

CONSOLIDATED BALANCE SHEET

CHF 1000	Notes	2003	2002
Liquid assets	2	11,886	24,942
Receivables	3	34,401	23,450
Inventories and work in progress	4	62,370	46,225
Prepaid expenses and accrued income		676	1,013
Total current assets		109,333	95,630
Tangible fixed assets	5	143,907	119,705
Financial assets	6	1,358	955
Intangible assets		164	479
Total fixed assets		145,429	121,139
Total assets		254,762	216,769
Trade accounts payable	7	21,540	13,446
Liabilities arising from short-term financing	8	7,220	13,056
Other short-term liabilities	9	3,260	1,236
Accrued expenses	10	15,675	6,409
Total short-term liabilities		47,695	34,147
Liabilities arising from long-term financing	11	78,733	51,259
Long-term provisions	12	19,087	15,937
Total long-term liabilities		97,820	67,196
Total liabilities		145,515	101,343
Share capital	13	7,000	7,000
Capital reserves	13	49,568	49,568
Revaluation reserves	13	1,486	1,486
Reserve for treasury stock	13	170	223
Translation differences	13	-6,240	-7,078
Retained earnings	13	57,263	64,227
Total shareholders' equity		109,247	115,426
Total liabilities and shareholders' equity		254,762	216,769

CONSOLIDATED INCOME STATEMENT

CHF 1000	Notes	2003	2002
Sales revenues	14	230,432	175,601
Sales deductions		-1,419	-1,451
Net turnover		229,013	174,150
Change in inventories of semi-finished and finished goods		7,425	-6,186
Own work capitalized		614	1,285
Other operating income		3,917	3,724
Total income	14	240,969	172,973
Cost of materials and services	15	76,136	48,500
Personnel expenses	16	87,157	68,763
Other operating expenses	17	33,986	24,235
Operating expenses		197,279	141,498
Operating earnings before depreciation (EBITDA)	14	43,690	31,475
Depreciation on tangible fixed assets	5	17,676	15,366
Other depreciation and provisions		298	167
Depreciation and provisions		17,974	15,533
Operating earnings (EBIT)	14	25,716	15,942
Financial income	18	2,020	2,635
Financial expenses	18	-2,934	-5,413
Net financial income		-914	-2,778
Non-operating income	19	-759	272
Taxes	20	-6,899	-2,672
Non-operating income and taxes		-7,658	-2,400
Net profit after taxes		17,144	10,764

CONSOLIDATED CASH FLOW STATEMENT

CHF 1000	Notes	2003	2002
Net profit after taxes		17,144	10,764
Depreciation on tangible fixed assets	5	17,676	15,366
Depreciation on financial assets and intangible assets		303	168
Increase (+)/decrease (-) in long-term provisions		-343	453
Increase (+)/decrease (-) in provision for deferred taxes		1,047	-315
Gain (-)/loss (+) from sales of tangible fixed assets		-181	-76
		35,646	26,360
Increase (-)/decrease (+) in receivables	3	-3	8,629
Increase (-)/decrease (+) in inventories	4	-6,607	5,246
Increase (-)/decrease (+) in prepaid expenses and accrued income		577	799
Increase (+)/decrease (-) in short-term liabilities	7, 9, 10	4,701	-5,621
Cash provided by operating activities		34,314	35,413
Capital expenditure	5, 14	-19,824	-15,492
Income from sales of tangible fixed assets		449	1,748
Increase (-)/decrease (+) in financial assets		-29,449	2,200
Increase (-)/decrease (+) in intangible assets		-2	0
Change in the scope of consolidation	1	560	-46
Cash used for investing activities		-48,266	-11,590
Free cash flow		-13,952	23,823
Dividends paid	13	-4,200	-4,200
Capital paid in (repaid)		0	0
Change in other reserves		0	3
Increase/decrease in short-/long-term debt	8, 11	4,601	-5,974
Cash provided by financing activities		401	-10,171
Translation adjustments		495	-95
Change in liquid assets	2	-13,056	13,557
Liquid assets on December 31		11,886	24,942
Liquid assets on January 1		24,942	11,385
Change in liquid assets		-13,056	13,557

1. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

Company	Registered office	Share capital/capital stock	Equity holding	
			in 1000	
Adval Tech Holding Ltd	Niederwangen	CHF	7,000	
Adval Tech Management Ltd	Niederwangen	CHF	100	100%
Styner+Bienz FormTech Ltd	Niederwangen	CHF	3,050	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR	BRL	939	100%
AWM Mold Tech Ltd	Muri (AG)	CHF	600	100%
AWM Plast Tech Ltd	Merenschwand	CHF	600	100%
AWM Plastpack Ltd	Muri (AG)	CHF	600	100%
AWM Swiss Technology Ltd	Hong Kong	HKD	10	100%
AWM Mold Service US Inc.	Beverly, MA, USA	USD	1	100%
FOBOHA Holding GmbH	Haslach, D	EUR	25	100%
FOBOHA GmbH	Haslach, D	EUR	512	100%
FOBOHA US Inc.	Beverly, MA, USA	USD	1	100%

FOBOHA GmbH in Haslach, Germany, was included in the scope of consolidation for the first time with effect from January 1, 2003.

Styner+Bienz US Inc., which discontinued operations in 2001, was renamed FOBOHA US Inc. in 2003, and has now commenced business as the sales and service company for FOBOHA GmbH, Haslach. At the same time it transferred its registered office to Beverly, MA.

Exchange rates

The financial statements are based on the following exchange rates for foreign currencies:

- Year-end rates
EUR 1.5595, USD 1.2423, HKD 0.1600, BRL 0.4282, CAD 0.9599, GBP 2.2092.
- Average rates for the year
EUR 1.5211, USD 1.3452, HKD 0.1728, BRL 0.4455, CAD 0.9627, GBP 2.1982.

FINANCIAL STATEMENTS

2. LIQUID ASSETS

CHF 1000	2003	2002
Cash, postal giro, banks	11,886	24,942
Total liquid assets	11,886	24,942

The change in the liquid assets item in the year under review is shown in the cash flow statement. The reduction in liquid assets by half was due to the completion of the acquisition at the beginning of the year.

3. RECEIVABLES

CHF 1000	2003	2002
Trade accounts receivable	29,424	17,999
Other short-term receivables	4,977	5,451
Total receivables	34,401	23,450

The increase in trade accounts receivable was attributable to the first-time consolidation of FOBOHA GmbH and to the increase in net sales in the 4th quarter of the year under review compared with 2002.

The allowance for doubtful receivables deducted directly from the receivable amount totaled CHF 2.1 million (CHF 2.2 million in 2002).

4. INVENTORIES AND WORK IN PROGRESS

CHF 1000	2003	2002
Goods for resale	963	186
Raw material	3,908	4,089
Semi-finished and finished goods	29,681	27,028
Work in progress	27,818	14,922
Total inventories and work in progress	62,370	46,225

Inventories and work in progress were CHF 16.1 million higher than in the previous year. This increase was due to the first-time inclusion of FOBOHA GmbH and to higher inventory levels in the other sectors of the Injection Molding Division.

Income from long-term orders based on the percentage-of-completion method amounted to CHF 10.9 million (CHF 2.4 million in 2002). This steep increase was due to the first-time inclusion of FOBOHA GmbH and an order placed with AWM Mold Tech Ltd for a series of molds.

5. TANGIBLE FIXED ASSETS

The development of tangible fixed assets is shown in the following group summary:

CHF 1000	Land	Buildings	Production equipment and machinery	Other tangible fixed assets	Installations under construction	Total
Cost						
At January 1, 2003	4,331	71,644	117,341	25,271	4,865	223,452
Changes in the scope of consolidation	858	6,342	25,814	6,044	3	39,061
Capital expenditure in the year under review	0	5,967	8,721	4,745	5,598	25,031
Disposals	0	0	-1,977	-3,087	-5,207	-10,271
Other changes	0	0	0	0	0	0
Change in accumulated translation difference	62	467	2,378	430	29	3,366
At December 31, 2003	5,251	84,420	152,277	33,403	5,288	280,639
Accumulated depreciation						
At January 1, 2003	0	-18,617	-72,987	-12,090	-53	-103,747
Changes in the scope of consolidation	0	-560	-14,300	-3,846	0	-18,706
Depreciation in the year under review	0	-2,534	-10,629	-4,513	0	-17,676
Disposals	0	100	1,889	2,807	0	4,796
Other changes	0	0	0	0	0	0
Change in accumulated translation difference	0	9	-1,118	-285	-5	-1,399
At December 31, 2003	0	-21,602	-97,145	-17,927	-58	-136,732
Book values						
At January 1, 2003	4,331	53,027	44,354	13,181	4,812	119,705
At December 31, 2003	5,251	62,818	55,132	15,476	5,230	143,907
Of which leased installations						
At January 1, 2003	0	0	123	0	0	123
At December 31, 2003	0	0	2,813	0	0	2,813

In the year under review the group invested CHF 19.8 million in tangible fixed assets (total investments in the year under review less disposals of installations under construction). Additions to tangible fixed assets arising from the acquisition

of FOBOHA GmbH are shown under "Changes in the scope of consolidation".

The "Buildings" item includes CHF 4.3 million for the expansion of the manufacturing facilities of

AWM Plast Tech Ltd in Merenschwand. A further CHF 3.1 million was invested in machinery and equipment there. This created production capacity to manufacture components for the automotive industry.

The majority of investments in other tangible fixed assets were utilized for IT infrastructure at both divisions.

The change in the accumulated translation difference is due primarily to the stronger Euro.

6. FINANCIAL ASSETS

CHF 1000	2003	2002
Treasury stock	170	223
Other long-term receivables	973	297
Long-term loans to third parties	215	435
Total financial assets	1,358	955

7. TRADE ACCOUNTS PAYABLE

CHF 1000	2003	2002
Trade accounts payable	9,422	10,780
Advanced payments by customer	12,118	2,666
Total trade accounts payable	21,540	13,446

Despite the steep rise in the cost of materials and services, trade accounts payable were lower in the year under review. The main reason for this was the significant reduction in this item at the Stamping and Forming Division due to reduced purchases

of materials at year-end. The pronounced increase in advance payments by customers was due mainly to the integration of FOBOHA GmbH. This reflects customary market and industry practice for FOBOHA GmbH, which is engaged in manufacturing injection molds. An increase in advance payments by customers for molds was also registered in the other operations of the Injection Molding Division.

8. LIABILITIES ARISING FROM SHORT-TERM FINANCING

CHF 1000	2003	2002
Liabilities arising from short-term financing	7,220	13,056

These are short-term bank loans. This item is offset by liquid assets totaling CHF 11.9 million (gross figures).

9. OTHER SHORT-TERM LIABILITIES

CHF 1000	2003	2002
Short-term leasing liabilities	585	123
Other short-term liabilities	2,675	1,113
Total other short-term liabilities	3,260	1,236

10. ACCRUED EXPENSES

CHF 1000	2003	2002
Accrued expenses	12,999	5,234
Accrued current taxes	2,676	1,175
Total accrued expenses	15,675	6,409

The increase in accrued expenses arose from the inclusion of FOBOHA GmbH in the consolidated accounts as well as higher accruals for pending vacation and overtime claims, deliveries of material and commissions in other units of the Injection Molding Division.

11. LIABILITIES ARISING FROM LONG-TERM FINANCING

CHF 1000	2003	2002
Mortgages	18,250	16,000
Long-term leasing liabilities	2,031	0
Long-term interest-bearing liabilities	56,373	35,259
Other long-term liabilities	2,079	0
Total liabilities from long-term financing	78,733	51,259

Long-term interest-bearing liabilities consist of liabilities to banks (loans) excluding mortgage loans. The increase in long-term interest-bearing liabilities is related to the acquisition of FOBOHA GmbH and the conversion of short-term into long-term loans. Together with the reduction in liquid assets and the decline in short-term liabilities to banks this result-

ed in an increase in net debt of CHF 33.1 million. The cash flow statement sets out the reasons for these changes.

12. LONG-TERM PROVISIONS

CHF 1000	2003	2002
Provision for deferred taxes	16,092	13,647
Other long-term provisions	2,995	2,290
Total long-term provisions	19,087	15,937

Most of the increase in the provision for deferred taxes was attributable to the first-time inclusion of FOBOHA GmbH.

Other long-term provisions include CHF 2.3 million of warranty provisions (CHF 1.6 million in 2002) and CHF 0.7 million of other provisions (CHF 0.7 million in 2002).

13. SHAREHOLDERS' EQUITY

CHF 1000	Share capital	Capital reserves	Revaluation reserves	Reserve for treasury stock	Translation difference	Retained earnings	Total shareholders' equity
At January 1, 2003	7,000	49,568	1,486	223	-7,078	64,227	115,426
Dividends						-4,200	-4,200
Employer's contribution reserves							0
Changes in the scope of consolidation						-19,961	-19,961
Miscellaneous				-53		53	0
Change in translation difference					838		838
Net profit for the year						17,144	17,144
At December 31, 2003	7,000	49,568	1,486	170	-6,240	57,263	109,247

The appropriation of profit for the 2002 fiscal year included a dividend payment of CHF 4.2 million.

The offsetting of goodwill from acquisitions in the year under review is shown under "Changes in the scope of consolidation".

Excluding this charge to shareholders' equity, net profit for the year would have been CHF 1.0 million lower. Shareholders' equity would have amounted to CHF 128.2 million accordingly.

14. SEGMENTAL REPORTING

Sales revenues (gross turnover) resulted from sales and services rendered to third parties and are made up as follows, by division, business unit and region:

CHF 1000	2003		2002	
Stamping and Forming Division	95,004	41.2%	99,496	56.7%
– of which Tool and Special Machinery Manufacturing	12,795		16,085	
– of which Volume Parts Manufacturing	82,209		83,411	
Injection Molding Division	135,428	58.8%	76,105	43.3%
– of which Moldmaking	114,350		59,476	
– of which Volume Parts Manufacturing	21,078		16,629	
Total	230,432	100.0%	175,601	100.0%
Switzerland	64,099	27.8%	66,667	38.0%
– of which Stamping and Forming	28,095		34,522	
– of which Injection Molding	36,004		32,145	
Europe	122,988	53.4%	89,159	50.8%
– of which Stamping and Forming	54,016		52,542	
– of which Injection Molding	68,972		36,617	
North/Latin America	26,469	11.5%	9,220	5.2%
– of which Stamping and Forming	8,348		7,183	
– of which Injection Molding	18,121		2,037	
Asia/Oceania/Africa	16,876	7.3%	10,555	6.0%
– of which Stamping and Forming	4,545		5,249	
– of which Injection Molding	12,331		5,306	
Total	230,432	100.0%	175,601	100.0%

The high proportion of turnover by FOBOHA GmbH in North and Latin America compared with the other group companies is responsible for the changes in the geographic distribution of sales.

Other figures relating to the divisions:

CHF 1000	2003	2002
Stamping and Forming		
Total income	100,332	97,290
Operating earnings EBITDA	10,393	10,121
Operating earnings EBIT	3,299	2,033
Capital expenditure	5,228	6,069
Employees on December 31	485	506
Injection Molding		
Total income	141,647	76,138
Operating earnings EBITDA	33,419	20,576
Operating earnings EBIT	22,910	13,442
Capital expenditure	14,203	9,154
Employees on December 31	520	317

15. COST OF MATERIALS AND SERVICES

The reasons for the steep increase of CHF 27.6 million or 3.6 percentage points in the cost of materials and services are many and varied. The following factors exerted the greatest influence: higher raw material prices, the first-time consolidation of FOBOHA GmbH and changes in the relative contributions in the established product portfolio. More orders were also placed with third parties as a result of high capacity utilization in certain sectors.

16. PERSONNEL EXPENSES

The integration of FOBOHA GmbH increased the number of employees on December 31, 2003, by 165 personnel units. While the other business units in the Injection Molding Division added to their workforce in the year under review, the Stamping and Forming Division reduced its headcount.

Personnel expenses rose less steeply than output in the year under review. This was due to the integration of FOBOHA and to the outsourcing of orders to third parties, as referred to in Note 15.

17. OTHER OPERATING EXPENSES

Other operating expenses include rent, maintenance and repair, operating materials, energy, property insurance, administrative expenses, losses on accounts receivable, warranty provisions and the cost of advertising and sales promotion.

18. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1000	2003	2002
Interest earned	595	845
Other financial income	1,425	1,790
Financial income	2,020	2,635
Interest paid	-2,772	-2,768
Depreciation on financial assets	-5	-25
Other financial expenses	-157	-2,620
Financial expenses	-2,934	-5,413
Net financial income	-914	-2,778

Favorable interest rates enabled the amount of interest paid to be stabilized, despite higher average debt.

The exchange losses included in "Other financial expenses" were reduced virtually to zero as a result of the favorable exchange rate movements for the group compared with the previous year.

19. NON-OPERATING INCOME

CHF 1000	2003	2002
Non-operating income	340	413
Non-operating expenses	-1,099	-141
Total non-operating income	-759	272

Non-operating income includes CHF 0.2 million of gains on disposals of tangible fixed assets (CHF 0.1 million in 2002). Non-operating expenses include a valuation adjustment of CHF 1.0 million on the Stamping and Forming Division's inventories. The introduction of the new ERP software made aids available to conduct in-depth inventory analysis. This revealed an impairment requirement that had already arisen in previous years.

20. TAXES

CHF 1000	2003	2002
Income and capital taxes	5,834	2,987
Change in provision for deferred taxes	1,065	-315
Total tax expenses	6,899	2,672

The tax charge rose from 19.9% in 2002 to 28.7% in 2003. The increase in tax expenses is explained by the higher earnings and tax rates in Germany.

The tax-loss carry-forwards that have not been utilized on grounds of prudence totaled CHF 9.2 million (CHF 7.4 million in 2002).

21. PLEDGED ASSETS

CHF 1000	2003	2002
Book value of pledged fixed assets	66,207	56,879

The pledges listed serve as security for mortgages, other bank loans and credit lines. Furthermore, it should be noted that demand balances held with banks can be used to cover loans granted at the same time in accordance with the banks' general conditions of business.

22. FIRE INSURANCE VALUES

CHF 1000	2003	2002
Real estate	92,179	74,338
Other tangible fixed assets	289,364	182,195

23. CONTINGENT AND FUTURE LIABILITIES

CHF 1000	2003	2002
Contingent liabilities in favor of third parties	7,111	348
Liabilities arising from leases	5,033	1,769
Liabilities arising from operating leases	491	878

Contingent liabilities in favor of third parties are in the form of bank guarantees for advance payments received for customers' orders. They have been issued for the most part by the Stamping and Forming Division.

Payments deriving from operating leases fall due as follows: CHF 0.4 million within one year, CHF 0.1 million within two years.

24. GUARANTEES

At the end of 2003 guarantees had been made by Adval Tech Holding Ltd in favor of the company's bankers in the amount of CHF 38.0 million (CHF 11.0 million in 2002). These serve exclusively as security for loans, credit lines and leasing commitments of subsidiaries of Adval Tech Holding Ltd. This guarantee policy is in line with the group financing strategy adopted and the outline agreements concluded with the banks in this context.

The increase is related to the financing of the acquisition in the year under review.

25. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange transactions with a contract value of CHF 2.2 million existed for hedging purposes on December 31, 2003. The relevant positive or negative replacement values were immaterial.

26. PENSION LIABILITIES

The pension fund of Adval Tech Holding Ltd is intended to insure personnel in Switzerland against the financial consequences of old age, death and disability. Employees are insured from 17 years of age.

The pension fund of Adval Tech Holding Ltd is based on a defined-contributions plan. The employer's contributions are fixed. The Adval Tech Group has not entered into any obligations to provide benefits in excess of the stipulated contributions.

CHF 1000	2003	2002
Number of personnel insured at Dec. 31	754	731
Number of pension recipients at Dec. 31	156	140
Expenses arising from pension commitments	3,917	3,380
Employer's contribution reserves at Dec. 31	4,149	3,670

27. MATERIAL EVENTS AFTER BALANCE SHEET DATE

At its meeting held on March 9, 2004, the Board of Directors of the Adval Tech Group approved the acquisition of Lanz Industrietechnik AG, a subsidiary of Franke Holding AG. Payment for this acquisition will be made by way of an increase in share capital. An extraordinary general meeting of shareholders has been called for April 14, 2004, to approve this increase in capital.

Report of the group auditors
to the general meeting of
Adval Tech Holding Ltd
Niederwangen

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows and notes / pages 6 to 21) of Adval Tech Holding Ltd for the year ended December 31, 2003.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Financial Reporting Standards (Swiss GAAP FER) and comply with Swiss law.

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

PricewaterhouseCoopers Ltd

J. Kummer M. Köhli

Bern, March 18, 2004

FINANCIAL REPORTS OF ADVAL TECH HOLDING LTD

I. BALANCE SHEET

CHF	2003	2002
Liquid assets	5,373	0
Receivables		
– from third parties	6,665	1,890
– from group companies	2,023,113	2,025,068
Prepaid expenses and accrued income		
– from third parties	12,895	13,314
– from group companies	0	0
Total current assets	2,048,046	2,040,272
Investments in group companies	22,086,850	16,976,170
Loans to group companies	79,368,342	77,381,226
Intangible assets	959,607	1,360,000
Total fixed assets	102,414,799	95,717,396
Total assets	104,462,845	97,757,668
Bank debt	3,884,323	9,920,588
Accounts payable	10,053	11,166
Other liabilities		
– from third parties	27,718	16,514
– from group companies	100,208	2,130
Accrued expenses	109,418	506,940
<i>Short-term liabilities</i>	<i>4,131,720</i>	<i>10,457,338</i>
Long-term liabilities		
– from third parties	43,175,000	35,258,716
– from group companies	0	0
Provisions	1,689,529	1,887,000
<i>Long-term liabilities</i>	<i>44,864,529</i>	<i>37,145,716</i>
Total liabilities	48,996,249	47,603,054
Share capital	7,000,000	7,000,000
General reserves	1,550,000	1,550,000
Reserve for treasury stock	170,386	222,812
Free reserves	14,925,261	14,872,835
<i>Share capital and reserves</i>	<i>23,645,647</i>	<i>23,645,647</i>
Balance brought forward	22,308,967	17,284,755
Net profit for the year	9,511,982	9,224,212
<i>Retained earnings</i>	<i>31,820,949</i>	<i>26,508,967</i>
Total shareholders' equity	55,466,596	50,154,614
Total liabilities	104,462,845	97,757,668

2. INCOME STATEMENT

CHF	2003	2002
Income from investments in group companies	9,000,000	9,000,000
Other income from third parties	0	26,750
Other income from group companies	398,370	322,239
Interest income from group companies	2,356,134	3,735,347
Interest income from third parties	244,387	195,883
Total operating earnings	11,998,891	13,280,219
Interest expenses from third parties	2,044,233	2,312,222
Interest expenses from group companies	2,000	0
Business and administration expenses	52,966	139,147
Operating expenses	2,099,199	2,451,369
Amortization of intangible assets	355,393	340,000
Operating earnings before taxes	9,544,299	10,488,850
Non-operating earnings	2,956	0
Non-operating expenses	826	1,200,000
Net profit before taxes	9,546,429	9,288,850
Taxes	34,447	64,638
Net profit after taxes	9,511,982	9,224,212

3. APPENDIX

Accounting principles

The foregoing financial statements of Adval Tech Holding Ltd have been prepared in accordance with the accounting requirements stipulated by Swiss company law.

Treasury stock

In the course of the year under review a total of 190 shares from the 798 shares of treasury stock held on December 31, 2002, were sold on the stock exchange.

Intangible assets

Protection for a patent was canceled early in the year under review and the royalties still due thereon were settled by payment of the balance. The relevant residual value was written off. Intangible assets are amortized within five years.

Investment holdings

The investment holdings of Adval Tech Holding Ltd are listed on page 12 of this report.

Major shareholders

On December 31, 2003, the following shareholders held more than 5% of the registered share capital recorded in the Commercial Register:

■ Rudolf Styner.....	25.6%
■ Hansruedi Bienz	19.6%
■ Franke Holding AG, Aarburg	16.7%
■ Ordinary Partnership Dreier	8.8%

Guarantees to third parties

As of December 31, 2003, Adval Tech Holding Ltd had issued guarantees to its bankers and leasing companies in respect of a total of CHF 37,978,000. These serve to secure loans, credit lines and leasing transactions of subsidiaries of Adval Tech Holding Ltd.

4. PROPOSAL BY THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF PROFIT

At the disposal of the annual general meeting of shareholders

Balance brought forward	CHF	22,308,967
Net profit for 2003	CHF	9,511,982
Retained earnings	CHF	31,820,949

Proposal by the Board of Directors

Dividend of CHF 14 gross per registered share	CHF	4,900,000
Allocation to the General Reserve	CHF	0
Carried forward to new account	CHF	26,920,949
	CHF	31,820,949

Report of the statutory auditors
to the general meeting of
Adval Tech Holding Ltd
Niederwangen

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 23 to 25) of Adval Tech Holding Ltd for the year ended December 31, 2003.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers Ltd

J. Kummer M. Köhli

Bern, March 18, 2004

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