



**adval**tech

FINANCIAL REPORTS 2005



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These financial reports are an integral part of the Adval Tech annual report 2005.

## SETBACK IN DIFFICULT MARKET ENVIRONMENT

The 2005 financial year proved to be even more difficult than originally expected for the Adval Tech Group. Income and profit targets were missed significantly. This was attributable to developments in the Injection Molding Division. Margins were depressed in particular by the market-related slump in sales of molds for optical discs (CDs, DVDs and other formats) and the cost of entering new markets. Total income of CHF 251.9 million was 4.2% lower than the previous year's figure. Operating earnings of CHF 5.1 million reflected a decline of CHF 15.1 million, net profit was reduced by CHF 9.5 million to CHF 3.8 million. However, free cash flow from operations showed a pleasing increase from CHF 3.4 million to CHF 12.0 million – despite higher capital expenditure than in the previous year (CHF +8.1 million).

While the Stamping and Forming Division recorded a significant increase of 13.6% in total income – two-thirds of this rise being contributed by Lanz Industrietechnik AG acquired in mid-2004 – the Injection Molding Division experienced a severe setback (–18.7%). This was mainly attributable to the slump in sales of optical disc molds and weaker overall business with other molds and dies. As a typical project business, moldmaking is by its nature exposed to a certain degree of sales volatility, but an unusually large number of project postponements resulted in an extraordinarily steep decline in earnings in 2005. Results were also depressed by provisions on inventories.

The Injection Molding Division was unable to compensate adequately on the cost side for the short-fall in earnings. Enormous pressure on prices in all market segments, the costs involved in entering new markets and the provisions referred to above had a further negative impact on the division's margins. However, the good acceptance on the market of the new Six.one generation of AWM molds for the optical disc business, launched at the beginning of 2005, was encouraging.

The Stamping and Forming Division posted a slight increase in operating earnings in a difficult market environment due to gains in market share in the automobile component supply business. However, the slump in the mobile telephone components business and the improved, but still inadequate process stability at the Wolfwil plant prevented a greater improvement in profits from being achieved.

Teuscher Kunststoff-Technik AG in Grenchen, which was acquired at the beginning of June 2005, is a strikingly innovative supplier of plastic components, especially in the field of medical technology. The acquisition of Teuscher was an important step toward establishing a center of competence for medical technology and is consistent with our strategic objectives. Our technological leadership in moldmaking and the opportunities on the market for Teuscher generate excellent synergies.

We have drawn up our annual financial statements for 2005 in conformity with International Financial Reporting Standards (IFRS) for the first time and thus successfully concluded the project launched at the end of 2003 to change the presentation of our accounts. Financial reporting has become considerably more comprehensive. In addition to the presentation of the income statement, the balance sheet and the cash flow statement, this affects in particular the explanatory notes to the individual items. The restatement for the 2004 financial year enables accurate comparisons to be made with the 2005 financial statements. The presentation of the effects of this initial application of IFRS occupies additional space in this year's financial report. Shareholders interested in doing so can thus trace in detail the transition to IFRS from the previous rendering of accounts in conformity with Swiss GAAP FER.

## KEY FIGURES OF THE ADVAL TECH GROUP

	2005 <sup>1)</sup>	2004 <sup>2)</sup>	2003 <sup>3)</sup>	2002 <sup>3)</sup>	2001 <sup>3)</sup>
<b>Total income (CHF millions)</b>					
Group	251.871	262.853	240.969	172.973	177.283
change in %	-4.2	+9.1	+39.3	-2.4	-15.4
per employee (CHF thousands)	224.484	247.041	240.248	213.021	222.857
Stamping and Forming Division	130.831	115.147	100.332	97.290	104.183
Injection Molding Division	121.151	148.952	141.647	76.138	73.878
<b>EBITDA (CHF millions)</b>					
Operating earnings before depreciation	27.7	42.6	43.7	31.5	28.1
in % of total income	11.0	16.2	18.1	18.2	15.9
Stamping and Forming Division	14.8	14.6	10.4	10.1	8.1
Injection Molding Division	12.5	27.1	33.4	20.6	19.5
<b>EBIT (CHF millions)</b>					
Operating earnings	5.1	20.2	25.7	15.9	13.8
in % of total income	2.0	7.7	10.7	9.2	7.8
Stamping and Forming Division	3.0	2.7	3.3	2.0	0.9
Injection Molding Division	1.9	16.8	22.9	13.4	12.5
<b>Net profit (CHF millions)</b>					
Net profit for the year	3.8	13.3	17.1	10.8	10.6
in % of total income	1.5	5.1	7.1	6.2	6.0
<b>Cash flow and capital expenditure (CHF millions)</b>					
Cash flow from operations	32.8	14.4	34.3	35.4	29.8
Operative free cash flow	12.0	3.4	15.4	23.8	-1.1
Free cash flow	6.6	3.9	-14.0	23.8	-1.1
Capital expenditure	20.6	12.4	19.8	15.5	32.2
<b>Balance sheet figures (CHF millions)</b>					
Total assets	276.4	266.0	254.8	216.8	228.6
Shareholders' equity	122.5	120.6	109.2	115.4	115.6
in % of total assets	44.3	45.3	42.9	53.2	50.6
<b>Employees</b>					
on December 31	1,129	1,108	1,013	828	796
<b>Market capitalization (CHF millions)</b>					
on December 31	187.6	211.7	169.8	106.8	119.0
<b>Selected key figures per share</b>					
Earnings (CHF)	10.52	37.24	48.98	30.75	30.22
Dividend (CHF)	14.00 <sup>4)</sup>	14.00	14.00	12.00	12.00
Payout ratio in %	133.1	37.6	28.6	39.0	39.7
P/E ratio on December 31	48.9	15.6	9.9	9.9	11.3

1) IFRS  
2) IFRS restated

3) Swiss GAAP FER  
4) Proposed by the Board of Directors

## CONSOLIDATED BALANCE SHEET

CHF 1,000	Notes	12/31/2005	12/31/2004
Liquid assets		10,937	8,889
Trade accounts receivable	4	34,162	39,080
Other receivables	5, 34	8,189	7,088
Inventories and work in progress	6	54,305	56,500
Prepaid expenses and accrued income	7	6,092	959
<b>Total current assets</b>		<b>113,685</b>	<b>112,516</b>
Tangible fixed assets	8	157,225	151,203
Financial assets	10	2,142	937
Intangible assets	11	2,927	1,006
Deferred tax assets	18	462	291
<b>Total fixed assets</b>		<b>162,756</b>	<b>153,437</b>
<b>Total assets</b>	29	<b>276,441</b>	<b>265,953</b>
Trade accounts payable	12	18,005	14,074
Short-term interest-bearing liabilities	13, 16	2,671	17,697
Other short-term liabilities	14, 34	7,429	8,107
Accrued expenses		11,317	10,484
Short-term provisions	17	2,019	2,386
Accrued current income taxes		557	963
<b>Total short-term liabilities</b>		<b>41,998</b>	<b>53,711</b>
Long-term interest-bearing liabilities	15, 16	94,964	75,111
Long-term non-interest-bearing liabilities		312	1,030
Long-term provisions	17, 23	2,584	1,260
Deferred tax liability	18	14,074	14,254
<b>Total long-term liabilities</b>		<b>111,934</b>	<b>91,655</b>
<b>Total liabilities</b>	29	<b>153,932</b>	<b>145,366</b>
Share capital	19	7,300	7,300
Capital reserves		57,324	57,324
Treasury stock		-82	-82
Translation differences		-1,247	-3,767
Retained earnings		59,214	59,812
<b>Total shareholders' equity</b>		<b>122,509</b>	<b>120,587</b>
<b>Total liabilities and shareholders' equity</b>		<b>276,441</b>	<b>265,953</b>

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

CONSOLIDATED INCOME STATEMENT

CHF 1,000	Notes	2005	2004
<b>Net turnover</b>	20, 29	<b>245,725</b>	<b>250,354</b>
Change in inventories of semi-finished and finished goods		-1,998	1,962
Own work capitalized		932	3,197
Other operating income		7,212	7,340
<b>Total income</b>	29	<b>251,871</b>	<b>262,853</b>
Cost of materials and services	21	-88,369	-91,145
Personnel expenses	22, 23	-96,466	-93,994
Other operating expenses	24	-39,311	-35,076
<b>Operating expenses</b>		<b>-224,146</b>	<b>-220,215</b>
<b>Operating earnings before depreciation (EBITDA)</b>	29	<b>27,725</b>	<b>42,638</b>
Depreciation on tangible fixed assets	8	-22,285	-21,365
Depreciation on intangible assets	11	-311	-1,062
<b>Depreciation</b>		<b>-22,596</b>	<b>-22,427</b>
<b>Operating earnings (EBIT)</b>	29	<b>5,129</b>	<b>20,211</b>
Financial income	25	3,551	1,978
Financial expenses	25	-4,441	-4,702
<b>Net financial income</b>		<b>-890</b>	<b>-2,724</b>
<b>Net profit before income taxes</b>		<b>4,239</b>	<b>17,487</b>
Income taxes	26	-402	-4,187
<b>Net profit after taxes</b>		<b>3,837</b>	<b>13,300</b>
<b>Earnings per share</b>	27		
undiluted		10.52	37.24
diluted		10.52	37.24

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

## CONSOLIDATED CASH FLOW STATEMENT

CHF 1,000	Notes	2005	2004
<b>Net profit after taxes</b>		<b>3,837</b>	<b>13,300</b>
Depreciation on tangible fixed assets	8	22,285	21,365
Value adjustment on financial assets/Depreciation on intangible assets	11	311	1,062
Increase (+)/decrease (-) in long-term provisions		804	-886
Increase (+)/decrease (-) in provision for deferred taxes		-444	261
Gain (-)/loss (+) on sales of tangible fixed assets		-58	-402
<b>Cash provided by operating activities before change in net current assets</b>		<b>26,735</b>	<b>34,700</b>
Increase (+)/decrease (-) in receivables		4,820	-5,789
Increase (+)/decrease (-) in inventories		3,576	-11,994
Increase (+)/decrease (-) in prepaid expenses and accrued income		-5,081	203
Increase (+)/decrease (-) in short-term liabilities		2,705	-2,760
<b>Cash provided by operating activities</b>		<b>32,755</b>	<b>14,360</b>
Capital expenditure	8, 29	-20,582	-12,438
Income from sales of tangible fixed assets		1,065	859
Increase (+)/decrease (-) in financial assets		-1,152	630
Change in the scope of consolidation		-5,443	507
<b>Cash used for investing activities</b>		<b>-26,112</b>	<b>-10,442</b>
<b>Free cash flow</b>		<b>6,643</b>	<b>3,918</b>
Dividends paid	30	-5,110	-4,900
Capital paid in (repaid)		0	-194
Purchase (-)/sale (+) of treasury stock		0	88
Repayment of loan from refinancing	15	-77,981	0
Loan raised from refinancing	15	90,000	0
Increase/decrease in short-term/long-term debt	15	-12,401	-1,830
<b>Cash provided by financing activities</b>		<b>-5,492</b>	<b>-6,836</b>
Translation differences		897	-79
<b>Changes in liquid assets</b>		<b>2,048</b>	<b>-2,997</b>
Liquid assets on December 31		10,937	8,889
Liquid assets on January 1		8,889	11,886
Change in liquid assets		2,048	-2,997

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

The cash outflows in the year under review for taxes and interest on borrowings as well as cash inflows from interest income are set out in explanatory note 28.

SHAREHOLDERS' EQUITY

CHF 1,000	Share capital	Capital reserves	Treasury stock	Translation differences	Retained earnings	Total shareholders' equity
<b>At January 1, 2004</b>	<b>7,000</b>	<b>49,568</b>	<b>-170</b>	<b>-3,301</b>	<b>50,111</b>	<b>103,208</b>
Dividends					-4,900	-4,900
Purchase/sale of treasury stock			88			88
Miscellaneous					1,301	1,301
Change	300	7,756				8,056
Translation difference				-466		-466
Net profit for the year					13,300	13,300
<b>At December 31, 2004</b>	<b>7,300</b>	<b>57,324</b>	<b>-82</b>	<b>-3,767</b>	<b>59,812</b>	<b>120,587</b>
Dividends					-5,110	-5,110
Purchase/sale of treasury stock						0
Miscellaneous					675	675
Change						0
Translation difference				2,520		2,520
Net profit for the year					3'837	3'837
<b>At December 31, 2005</b>	<b>7,300</b>	<b>57,324</b>	<b>-82</b>	<b>-1,247</b>	<b>59,214</b>	<b>122,509</b>

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

The increase of CHF 1.3 million in retained earnings stated under "Miscellaneous" for 2004 arose largely from purchase price adjustments in the context of acquisitions. The CHF 0.1 million profit from the sale of treasury stock is also included in this item.

The increase in share capital approved by the extraordinary general meeting of shareholders held on April 14, 2004, resulted in the increase in share capital and capital reserves (share premium less cost of capital increase) stated for 2004. This increase in share capital was effected in the context of the acquisition of Lanz Industrietechnik AG.

The increase in retained earnings stated under "Miscellaneous" for the year under review arose from a purchase price adjustment in the context of acquisition.

The non-distributable reserves in group shareholders' equity totaled CHF 12.2 million in the year under review (CHF 12.2 million in 2004).

## 1. PRINCIPLES OF CONSOLIDATION AND VALUATION

### 1.1 Accounting principles

The consolidated financial statements are based on the financial statements drawn up by the individual group companies in accordance with uniform principles at balance sheet date.

They have been prepared in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated financial statements provide a true and fair view of the company's financial position, results of operations and cash flows.

The annual financial statements of the Adval Tech Group as of December 31, 2005, have been drawn up for the first time in conformity with IFRS principles. This change has been made in conformity with IFRS 1. The impact of the change from Swiss GAAP FER to IFRS is set forth in the attached explanatory note 2 to the consolidated financial statements.

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. This excludes financial assets available for disposal, financial assets and liabilities held for trading purposes as well as derivative financial instruments stated in the balance sheet at market value. Assets and liabilities are valued individually.

Preparing the consolidated financial statements in conformity with the applicable reporting standards calls for estimates and assumptions to be made which influence the figures stated for assets and liabilities as well as contingent claims and liabilities on balance sheet date and income and expenses in the period under review. Actual results can differ from these estimates. Items including substantial estimates are inventories (analysis of coverage), tangible fixed assets (useful lives), intan-

gible assets (useful lives, impairment calculations), provisions and deferred taxes (approach to tax loss carry-forwards).

The following new and revised standards and interpretations have not been applied in advance when preparing the annual financial statements for 2005: IAS 19, IAS 39, IFRS 1, IFRS 4, IFRS 6, IFRS 7, IFRIC 4, IFRIC 5, IFRIC 6. With regard to IAS 19 there are no current plans to deviate from the accounting principle applied. The other new and revised standards are of minor importance or are not relevant for Adval Tech.

### 1.2 Consolidation principles

Capital consolidation is performed according to the purchase method.

Subsidiaries and investment holdings are included in the scope of consolidation from the date of acquisition or incorporation. Assets and liabilities are valued at the relevant market value on that date. Any positive difference between the purchase price and the shareholders' equity of the acquired company remaining after revaluation is capitalized as goodwill. Any negative difference (negative goodwill) is credited directly to the income statement on the date of acquisition. Goodwill carried on the balance sheet is not amortized, but is subject to an annual impairment test. Any impairment is charged to income.

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

- Companies in which Adval Tech Holding Ltd holds a direct or indirect voting interest of **more than 50%** and/or 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 ex-

penses between group companies are mutually offset. Intragroup profits or losses on intercompany deliveries are eliminated via the income statement.

- Associated companies over which the group exercises significant influence, but neither controls nor manages, are included in the consolidated financial statements using the equity method. This is usually the case with investments in which Adval Tech holds an interest of **20% to 50%**. The share of profits and shareholders' equity attributable to the Adval Tech Group is then included.
- Investments over which Adval Tech exercises no significant influence, usually holding interests of **less than 20%**, are included in the balance sheet at market value.

The companies included in the consolidation and the exchange rates applied are listed in explanatory note 3 to the consolidated financial statements.

### 1.3 Foreign currency translation

The consolidated financial statements are drawn up in Swiss francs (CHF), the operating and reporting currency of the Adval Tech Group. The items included in the financial statements of the individual group companies are stated in the currency of the economic region in which the company primarily operates.

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, their 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 by the parent company for long-term financing of investments are posted directly to shareholders' equity if the loan was granted in the book currency of the lender or the borrower.

### 1.4 Financial risk management

The Adval Tech Group is exposed to financial risks in the context of its business activities. It seeks by systematic management to minimize any adverse effects of the related fluctuations on its financial results. The risks and hedging concepts can be summarized as follows:

*Interest rate risks:* The group is exposed to interest rate fluctuations on the capital market. These risks are reduced by centralized coordination of financial liabilities and financial assets. Derivative financial instruments can also be used to hedge interest rate risks.

*Credit risks:* Credit risks are minimized by continuous monitoring of overdue payments from counterparties and by verifying the creditworthiness of new business partners. This is primarily undertaken locally.

*Currency risks:* The currency risk is reduced primarily by direct balancing of payment flows in foreign currencies. Derivative financial instruments can also be used to reduce exchange risks further. The use of hedging instruments is coordinated centrally.

Only risks arising from operating activities are hedged as a matter of principle.

### 1.5 Financial accounts receivable and payable

Financial accounts receivable and payable are valued as follows:

- Loans granted, receivables from finance lease transactions, customers' credit balances, pre-paid expenses and accrued income as well as assets held to maturity are valued in principle at remaining acquisition cost. Any value adjustment is made via the income statement if impairment is recognized.
- Trade accounts payable, accrued expenses as well as short-term and long-term financial liabilities are valued at remaining acquisition value.
- Derivative financial instruments are always stated at market value. Adjustments to market value are made via the income statement.

### 1.6 Liquid assets

Liquid assets include cash, credit balances on postal and bank accounts as well as time deposits maturing within 90 days and readily marketable securities. Bank accounts with negative balances are included in short-term liabilities.

### 1.7 Receivables

This item includes trade accounts receivable and other short-term receivables. The latter also include time deposits maturing in more than 90 days and that portion of long-term assets maturing within one year.

### 1.8 Inventories and work in progress

Inventories and work in progress are stated at the lower of acquisition/manufacturing cost or realizable value. Costs are calculated using the weighted average price method. Manufacturing costs include direct personnel expenses and cost of materials as well as the relevant share of overheads. Inventory risks are identified by means of coverage analyses and individual observation, and provisions made accordingly. 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 by establishing the ratio of the costs incurred for the services rendered up to the relevant balance sheet date to the costs expected for the order as a whole. Discounts are included in financial income.

Orders for which advance payments made by customers are less than the value of work in progress are included in the balance sheet as net assets in the "Work in progress" item. If advance payments for an order are larger than the value of the work performed, the corresponding net liability is stated as advance payments by customers.

### 1.9 Tangible 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 10 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. Repair and maintenance expenses are charged to income. Extensive equipment overhauls are only capitalized if they result in measurable capital appreciation in the form of higher performance or longer useful life.

### 1.10 Financial assets

Financial assets consist of investment holdings consolidated using the equity method, other investments, securities in the nature of long-term investments, receivables from finance leases and long-term loans to third parties.

**1.11 Intangible assets**

Acquired patents, licenses and trademarks are valued at acquisition or manufacturing cost if their earnings potential can be reliably estimated. Other identifiable intangible assets arising from acquisition, such as customer relationships or orders in hand, are stated at current value. These intangible assets are amortized using the straight-line method over their expected useful life, not exceeding 10 years.

Goodwill arising from the acquisition of assets or a company is included under intangible assets. Goodwill arising from acquisitions prior to the change to IFRS has been offset directly against shareholders' equity.

Research costs are charged to income. Expenditure on development projects is capitalized and amortized over their expected useful life if their earnings potential can be reliably estimated and they fulfill the further criteria for capitalization in conformity with IAS 38.

**1.12 Leasing of capital goods**

Capital goods financed by long-term leasing contracts (finance leases) are capitalized and amortized over their useful life. The corresponding leasing commitments are included under short-term or long-term liabilities.

**1.13 Impairment of assets**

If there is evidence of impairment of assets, their realizable value is estimated. The realizable value of goodwill is reappraised annually. 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.

**1.14 Short-term liabilities**

Trade accounts payable and other liabilities are regarded as short-term if they mature in less than one year. This item also includes that portion of long-term liabilities that is due for repayment within one year.

**1.15 Provisions**

Warranties, risks, impending losses and restructuring costs are included in provisions. These provisions relate exclusively to transactions originating in the past. The size of the provisions reflects the probable future outflow of funds which can be reliably estimated. Provisions are stated at net present value if the related outflow of funds is expected to occur more than one year after balance sheet date. Net present values are adjusted via financial expenses.

**1.16 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. The share premium arising from increases in share capital is also included here.
- Retained earnings include all profits generated by the group itself since January 1, 1996, and not distributed.

**1.17 Income recognition**

Income is recognized when it is certain that the financial benefit associated with the transaction will accrue to the company and can be reliably estimated. Income from sales of goods is deemed to be realized when use and risk pass to the customer. Revenues arising from manufacturing orders valued using the percentage-of-completion method are included according to the progress of the work.

Net turnover therefore comprises income from manufacturing orders (valued using the percentage-of-completion method) and net income from deliveries and services.

### **1.18 Income taxes**

Current income taxes are calculated on the taxable profits of the individual companies in conformity with local tax legislation and allocated to the period in which they accrue.

Temporary valuation differences arise due to differing valuations of assets and liabilities in the individual financial statements for taxation purposes and the consolidated financial statements. Deferred income tax is calculated on all temporary valuation differences at current or future tax rates, if these are foreseeable.

Accumulated losses which can be utilized for tax purposes are only stated as deferred tax assets if a tax benefit from an offset of the loss is probable.

### **1.19 Payments to employees**

Occupational pension funds for employees are based on the regulations in effect in the countries in which the Adval Tech Group operates.

In the case of Swiss pension funds, future pension liabilities are calculated using the projected unit credit method, according to which the expenses incurred to cover future pension claims are distributed over the expected working life of the employees and charged to income on this basis. The expenses incurred and their distribution over the employees' working life are governed by the recommendations of independent actuaries.

The relevant contributions made by the group to the pension funds are charged to income in the year for which they are paid.

Actuarial gains and losses are included in the income statement if the accumulated gains or losses of the individual pension plans exceed 10% of the defined pension liability or assets. These gains or losses are included in the income statement in accordance with the expected future duration of employment of the employees.

Other employee entitlements, such as long-service bonuses based on terms of employment, are accounted for by provisions.

### **1.20 Relationships with related parties**

Relationships with related individuals and companies are recorded separately and disclosed if material. Individuals and companies having a special interest in the development of the Adval Tech Group and/or in a position to influence the business activities of the Adval Tech Group directly or indirectly are deemed to be related parties. In particular, major shareholders, group pension funds and members of the Board of Directors and group management are deemed to be related parties.

### **1.21 Subtotals in the consolidated financial statements**

In order to enhance the information content of the consolidated financial statements, the income statement includes the following subtotals which are not defined in IFRS:

- Total income, comprising net turnover plus change in inventories of semi-finished and finished goods, own work capitalized and other operating income.
- Operating earnings before depreciation (EBITDA), comprising total income less cost of materials and services, personnel expenses and other operating expenses.

- Operating earnings (EBIT), comprising operating earnings before depreciation less depreciation on tangible fixed assets and depreciation on intangible assets.

The cash flow statement also includes the subtotal “Free cash flow,” which is the sum of cash provided by operating activities and cash used for investing activities.

## 2. IMPACT OF THE FIRST-TIME APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Board of Directors of Adval Tech Holding Ltd decided in August 2003 to retain the share listing of Adval Tech Holding Ltd on the main board of the Swiss Stock Exchange SWX. By virtue of the regulations issued by the stock exchange, this necessitated a change in accounting practice by the Adval Tech Group to comply with International Financial Reporting Standards (IFRS) as of the 2005 financial year.

### 2.1 Effects of the change as of January 1, 2004

In the context of this change, the consolidated balance sheet drawn up in accordance with Swiss GAAP FER on December 31, 2003, was first restated in conformity with IFRS. The next step was to change the presentation of the income statement and cash flow statement for 2004 to comply with IFRS. The effects are listed below. Finally,

the presentation of the balance sheet at December 31, 2004, was changed from Swiss GAAP FER to IFRS accounting principles. These changes took into account all the standards coming into effect up to January 1, 2005. This change was performed in conformity with IFRS 1. In the case of business combinations, the option allowing goodwill to continue to be offset directly against shareholders' equity on the date of purchase for acquisitions up to the record date of January 1, 2004, was exercised. A further option was exercised with regard to pension liabilities. Actuarial gains and losses are allocated prospectively using the "corridor rate."

Changing the presentation of the balance sheet from Swiss GAAP FER to IFRS had the following effects on shareholders' equity:

CHF 1,000	Share capital	Capital reserves	Revaluation reserves	Reserve for treasury stock	Translation differences	Retained earnings	Total shareholders' equity
<b>At December 31, 2003 (Swiss GAAP FER)</b>	<b>7,000</b>	<b>49,568</b>	<b>1,486</b>	<b>170</b>	<b>-6,240</b>	<b>57,263</b>	<b>109,247</b>
Change of methods							
– Mold spares / Spares and material						-6,814	-6,814
– Provisions for pension funds and payments to employees						-1,270	-1,270
– Calculation of warranty provisions						-280	-280
– Adjustment of asset account						-227	-227
– Statement of costs of incorporation						-328	-328
– Elimination of treasury stock				-340		170	-170
– Adjustment of translation differences					2,939	-2,939	0
– Miscellaneous						19	19
Change in estimates							
– Calculation of deferred taxes						3,031	3,031
Reclassification							
– Revaluation reserves			-1,486			1,486	0
<b>At January 1, 2004 (IFRS)</b>	<b>7,000</b>	<b>49,568</b>	<b>0</b>	<b>-170</b>	<b>-3,301</b>	<b>50,111</b>	<b>103,208</b>

Adjustments to balance sheet reporting methods as a result of the change in accounting principles from Swiss GAAP FER to IFRS are as follows:

*Mold spares/Spares and material:*

In view of the frequently long lead times for procuring or manufacturing spare parts, we procure or produce on our account an extensive range of spares for each mold and die so that Adval Tech can minimize the risk of failure to deliver due to mold defects. All spares must be retained in stock until volume production is completed in order to maintain the service level.

Mold spares have been stated in the balance sheet as inventories under Swiss GAAP FER and valued in accordance with FER 17. The spares have thus been charged to income when used. The spares still figuring in the balance sheet following the conclusion of volume manufacturing (in conjunction with a mold) have been eliminated via the income statement.

The valuation method has been adapted to IFRS requirements (IAS 16.8) in the context of the change in accounting presentation. In terms of our business this means:

In the case of molds paid for by customers, three-quarters of the necessary spares package at commissioning is included in tangible fixed assets and amortized over no more than four years using the straight-line method, irrespective of use. The remaining one-quarter is charged directly to income. The procurement or production of mold spares with a prospective duration of use of less than 12 months and of wearing and other spares is charged directly to income.

This change in method resulted in a total value adjustment of CHF 6.8 million for mold spares/spares and material.

*Provisions for pension funds and payments to employees:*

Calculation of pension liabilities on the basis of IAS 19 results in a provisioning requirement of CHF 0.5 million. Calculation of other payments such as long-service awards to personnel results in a provisioning requirement of CHF 0.8 million.

*Warranty provisions:*

The provisioning requirement for warranty claims arising from volume deliveries has been ascertained on the basis of a new method of calculation, which results in a slightly higher provisioning requirement.

The method of calculating warranty provisions according to Swiss GAAP FER is as follows:

The provision is based on management's estimate in each individual case and reflects expected future expenses on balance sheet date.

In the context of the change in accounting principles to IFRS, this method has been reviewed and adapted as follows:

The provision is based on management's estimate and reflects expected future expenses on balance sheet date. Provisions that are not expected to be utilized in less than 12 months must be stated at net present value. In transactions with volume components the warranty risk is related to the turnover generated. This relationship must be taken into account when calculating the provision by making this dependent on turnover.

*Asset account:*

The adjustment of the asset account in the context of the change results in a CHF 0.2 million reduction in asset values.

*Costs of incorporation:*

The costs of incorporating a group company which cannot be included in the balance sheet according to IFRS have been eliminated.

*Treasury stock:*

Treasury stock which cannot be included in the balance sheet according to IFRS has been eliminated.

*Translation differences:*

The accumulated translation differences on loans within the group which are not granted in the book currency of the lender or the borrower have been reclassified. These translation differences will be taken to income in future.

*Deferred taxes:*

According to Swiss GAAP FER, approximate tax rates have been used to calculate deferred taxes, as permitted by FER 11, subparagraph 27. With the change to IFRS, the effective income tax rates to be used have been ascertained and used to calculate the relevant provisions. The weighted average tax rate for calculating the deferred tax provisions has thus been reduced by 2 percentage points to 24.1%.

The impact of revaluations referred to above has also been taken into account.

## 2.2 Effects of the changes at December 31, 2004

The impact on consolidated shareholders' equity is shown below:

CHF 1,000	Share capital	Capital reserves	Revaluation reserves	Reserve for treasury stock	Translation differences	Retained earnings	Total shareholders' equity
<b>At December 31, 2004 (Swiss GAAP FER)</b>	<b>7,300</b>	<b>57,324</b>	<b>1,486</b>	<b>-82</b>	<b>-6,797</b>	<b>66,995</b>	<b>126,226</b>
Change of methods							
– Mold spares / Spares and material						-7,195	-7,195
– Provisions for pension funds and payments to employees						-1,257	-1,257
– Calculation of warranty provisions						-175	-175
– Adjustment of asset account						-60	-60
– Statement of costs of incorporation						-203	-203
– Elimination of treasury stock							0
– Effect of Lanz acquisition						1,486	1,486
– Adjustment of translation differences					3,030	-3,137	-107
– Miscellaneous						19	19
Change in estimates							
– Calculation of deferred taxes						1,853	1,853
Reclassification							
– Revaluation reserves			-1,486			1,486	0
<b>At December 31, 2004 (IFRS)</b>	<b>7,300</b>	<b>57,324</b>	<b>0</b>	<b>-82</b>	<b>-3,767</b>	<b>59,812</b>	<b>120,587</b>

*Mold spares/Spares and material:*

This item is the result of the change in the statement of mold spares in the balance sheet as described above. The changes since the beginning of the year are the result of business activities.

*Provisions for pension funds and payments to employees:*

Calculation of pension liabilities on the basis of IAS 19 results in a provisioning requirement of CHF 0.5 million. Calculation of other payments such as long-service awards to personnel results in a provisioning requirement of CHF 0.8 million. The change since the beginning of the year resulted from a reduction in liabilities arising from pension plans.

*Warranty provisions:*

The provisioning requirement for warranty claims arising from volume deliveries has been ascertained on the basis of a new method of calculation, as described above, which results in a slightly higher provisioning requirement. The changes since the beginning of the year are the result of business activities.

*Asset account:*

The adjustment of the asset account in the context of the change results in a CHF 0.2 million reduction in asset values. The changes since the beginning of the year are the result of business activities.

*Costs of incorporation:*

The costs of incorporating a group company which cannot be included in the balance sheet according to IFRS have been eliminated. The changes since the beginning of the year are the result of business activities.

*Treasury stock:*

Due to the implementation of the changes in reporting regulations at January 1, 2004, in conformity with Swiss GAAP FER, this change is inapplicable.

*Translation differences:*

The accumulated translation differences on loans within the group which are not granted in the book currency of the lender or the borrower have been reclassified. These translation differences will be taken to income in future. The changes since the beginning of the year resulted mainly from translation differences on a loan granted within the group by the parent company in a third currency, which have been taken to income.

*Effects of the acquisition of Lanz Industrietechnik AG*

In terms of Swiss GAAP FER, the goodwill arising in the context of this acquisition has been charged directly to shareholders' equity.

In terms of the new standard, the purchase price has been calculated and allocated in conformity with IFRS 3. The remaining goodwill, deemed as being of no value, has been charged to income.

The rise in the market price of shares of Adval Tech Holding Ltd between the conclusion of negotiations and closing the transaction resulted in an increase in the purchase price applicable to this transaction.

A review of the value of the goodwill on the date of acquisition has shown that the goodwill is of no value and must be written off. This review was based on the business plan approved by the Board of Directors for the current year and the coming three years. Planning assumes long-term growth of 0.5% p.a. and a discount rate of 8%.

*Deferred taxes:*

The tax rates used to calculate deferred taxes have been updated in the context of the change in accounting principles, as described above. The impact of revaluations referred to above has also been taken into account.

Changing the presentation of the income statement for 2004 from Swiss GAAP FER to IFRS had the following effects:

CHF 1,000	2004 Swiss GAAP FER	Change	2004 IFRS
<b>Net turnover</b>	<b>246,293</b>	<b>4,061</b>	<b>250,354</b>
Change in inventories of semi-finished and finished goods	7,725	-5,763	1,962
Own work capitalized	357	2,840	3,197
Other operating income	6,341	999	7,340
<b>Total income</b>	<b>260,716</b>	<b>2,137</b>	<b>262,853</b>
Cost of materials and services	-92,343	1,198	-91,145
Personnel expenses	-94,007	13	-93,994
Other operating expenses	-34,530	-546	-35,076
<b>Operating expenses</b>	<b>-220,880</b>	<b>665</b>	<b>-220,215</b>
<b>Operating earnings before depreciation (EBITDA)</b>	<b>39,836</b>	<b>2,802</b>	<b>42,638</b>
Depreciation on tangible fixed assets	-18,850	-2,515	-21,365
Other depreciation and provisions	-133	-929	-1,062
<b>Depreciation and provisions</b>	<b>-18,983</b>	<b>-3,444</b>	<b>-22,427</b>
<b>Operating earnings (EBIT)</b>	<b>20,853</b>	<b>-642</b>	<b>20,211</b>
Financial income	1,912	66	1,978
Financial expenses	-4,601	-101	-4,702
<b>Net financial income</b>	<b>-2,689</b>	<b>-35</b>	<b>-2,724</b>
Non-operating income	625	-625	0
<b>Net profit before income taxes</b>	<b>18,789</b>	<b>-1,302</b>	<b>17,487</b>
Income taxes	-3,192	-995	-4,187
<b>Net profit after taxes</b>	<b>15,597</b>	<b>-2,297</b>	<b>13,300</b>

*Net turnover and total income:*

Molds which customers pay for via amortization payments on the basis of firm agreements are now included in the balance sheet as finance leases. The relevant payments are therefore deducted directly from the leasing receivables and no longer appear in turnover (CHF -0.6 million). Together with the reclassification of non-operating income (FER) to other income (CHF +0.9 million) and the inclusion of molds and equipment leased to customers (CHF +1.8 million), this results in a difference of CHF 2.1 million in total income.

Compared to the 2004 income statement published in the printed 2005 semi-annual report, CHF 4.6 million has been reclassified from "Change in inventories of semi-finished and finished goods" to "Net turnover." This figure corresponds to the change in inventories of manufacturing orders reported in 2004 which were calculated using the percentage-of-completion method.

*Operating expenses:*

The following effects reduce operating expenses by a total of CHF 0.7 million. Including leased molds and equipment as tangible fixed assets reduces the decline in inventories of semi-finished and finished goods by CHF 1.2 million. The change in accounting practice for mold spares reduces operating expenses by a further CHF 0.1 million. Operating expenses are increased by the reclassification of capital taxes and non-operating expenses (CHF +0.4 million) and the new method of calculating warranty provisions for volume components (CHF +0.2 million).

*Net financial income:*

The translation differences arising from loans within the group which have not been granted in the book currency of one of the parties, offset against interest income from finance lease receivables, result in slightly higher net financial income.

*Tax expenses:*

The tax rates applied for calculating deferred taxes have been updated in the context of the change in accounting practice from Swiss GAAP FER to IFRS. While this adjustment has been taken into account for IFRS in shareholders' equity at January 1, 2004, the effect of this change in assessment under Swiss GAAP FER reduced tax expenses by CHF 1.0 million.

The change in the balance sheet and income statement from Swiss GAAP FER to IFRS had the following impact on the subtotals in the cash flow statement. There is no material overall difference.

CHF 1,000	2004 Swiss GAAP FER	Change	2004 IFRS
Cash provided by operating activities	13,764	596	14,360
Cash provided by investment activities	-10,642	200	-10,442
Free cash flow	3,122	796	3,918
Cash provided by financing activities	-6,880	44	-6,836

### 3. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

Company	Registered office	Share capital/capital stock		Equity holding
Adval Tech Holding Ltd	Niederwangen, Switzerland	TCHF	7,300	
Adval Tech Management Ltd	Niederwangen, Switzerland	TCHF	100	100%
Styner+Bienz FormTech Ltd	Niederwangen, Switzerland	TCHF	3,050	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
AWM Mold Tech Ltd	Muri (AG), Switzerland	TCHF	600	100%
AWM Plast Tech Ltd	Merenschwand, Switzerland	TCHF	600	100%
AWM Plastpack Ltd	Muri (AG), Switzerland	TCHF	600	100%
Teuscher Kunststoff-Technik AG	Grenchen, Switzerland	TCHF	2,000	100%
AWM Swiss Technology Ltd.	Hong Kong, China	THKD	10	100%
AWM Mold Tech Trading (Shanghai) Co. Ltd	Shanghai, China	TUSD	200	100%
AWM Mold Service US Inc.	Beverly, MA, USA	TUSD	1	100%
Foboha Holding GmbH	Haslach, Germany	TEUR	25	100%
Foboha GmbH	Haslach, Germany	TEUR	512	100%
Foboha US, Inc.	Beverly, MA, USA	TUSD	1	100%

The following changes took place in the scope of consolidation in the year under review:

Styner+Bienz FormTech Ltd and Lanz Industrie-technik AG were merged in June 2005 with retro-active effect as of January 1, 2005. The merged company trades under the name of Styner+Bienz FormTech Ltd.

Adval Tech Holding Ltd acquired the entire share capital of Teuscher Kunststoff-Technik AG in Grenchen at the beginning of June 2005. This company is primarily engaged in manufacturing volume plastic components for applications in medical technology. It was included in the consolidated accounts as of June 1, 2005, and integrated in the Injection Molding Division.

The cost of acquisition totaled CHF 5.6 million, consisting of CHF 5.5 million in cash and CHF 0.1 million for external consulting and support during negotiations up to conclusion of the contract.

Calculation of the cost of acquisition also took the following factors into account: entering a new market, taking over existing customer relationships, specific market expertise and experience with requirements for volume components in the medical technology market.

The balance sheet of Teuscher Kunststoff-Technik AG at June 1, 2005, prepared in accordance with the group's valuation principles, is as follows:

CHF 1,000	IFRS book values prior to consolidation	Included in the consolidated balance sheet
Liquid assets	143	143
Other current assets	1,484	1,484
Tangible fixed assets	6,505	7,163
Intangible assets	0	245
Deferred tax assets	15	0
Short-term liabilities	-961	-961
Long-term interest-bearing liabilities	-4,282	-4,282
Deferred tax liability	0	-192
<b>Net assets acquired</b>	<b>2,904</b>	<b>3,600</b>
<b>Purchase price and acquisition costs</b>		<b>-5,587</b>
<b>Goodwill</b>		<b>1,987</b>

Existing customer relationships were capitalized with a value of CHF 0.2 million on the date of acquisition. There were no other intangible assets (such as patents, trademarks, licenses, non-personal product and market know-how), for which a market value could be directly allocated and included. Goodwill stated in the consolidated financial statements thus amounts to CHF 2.0 million.

The impact of the new subsidiary on the financial position and results of the Adval Tech Group in the year under review was positive. The profit earned by the subsidiary since its initial consolidation amounted to CHF 0.2 million. If the company had been acquired as of January 1, 2005, the group's total income would have been CHF 2.6 million higher, and net profit would have been some CHF 0.1 million higher.

### Exchange rates

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

	on Dec. 31, 2005	Average in 2005	on Dec. 31, 2004	Average in 2004
BRL	0.5653	0.5159	0.4261	0.4254
CNY	0.1631	0.1523	0.1369	0.1456
EUR	1.5585	1.5484	1.5440	1.5438
HKD	0.1697	0.1602	0.1456	0.1596
USD	1.3159	1.2458	1.1318	1.2429

#### 4. TRADE ACCOUNTS RECEIVABLE

CHF 1,000	12/31/2005	12/31/2004
Trade accounts receivable from third parties	34,046	38,846
Trade accounts receivable from related parties	116	234
<b>Total trade receivables</b>	<b>34,162</b>	<b>39,080</b>

The allowance for doubtful receivables deducted directly from the receivable amount totaled CHF 1.3 million on December 31, 2005 (CHF 1.6 million in 2004).

Losses on receivables charged to income in the year under review totaled CHF 0.4 million (CHF –0.1 million in 2004).

#### 5. OTHER RECEIVABLES

CHF 1,000	12/31/2005	12/31/2004
Receivables from positive replacement values of derivative financial instruments	179	1
Other short-term receivables	7,267	4,599
Advance payments to suppliers	743	2,488
<b>Total other receivables</b>	<b>8,189</b>	<b>7,088</b>

## 6. INVENTORIES AND WORK IN PROGRESS

CHF 1,000	12/31/2005	12/31/2004
Goods for sale	172	1,886
Raw material	6,188	5,171
Semi-finished and finished goods	37,785	34,551
Work in progress	21,917	27,320
Provisions	-11,757	-12,428
<b>Total inventories and work in progress</b>	<b>54,305</b>	<b>56,500</b>

The total inventories and work in progress includes CHF 1.0 million stated at net realizable value (CHF 0.4 million in 2004).

CHF 1,000	12/31/2005		12/31/2004	
	Assets	Liabilities	Assets	Liabilities
Work in progress	28,312	-6,395	33,386	-6,066
Advance payments by customers	-6,395	11,307	-6,066	10,354
Net assets from work in progress	21,917		27,320	
Net liabilities from work in progress		4,912		4,288

The manufacturing costs of orders reported under work in progress and valued using the percentage-of-completion method totaled CHF 7.3 million (CHF 9.5 million in 2004). The stated profit was CHF 0.9 million (CHF 0.6 million in 2004).

## 7. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income increased by CHF 5.1 million in the year under review. This increase was due mainly to credits to meet fixed costs for production facilities that were not fully utilized and to excess advance payments of income taxes.

## 8. TANGIBLE FIXED ASSETS

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

CHF 1,000	Land	Buildings	Production equipment and machinery	Other tangible fixed assets	Leased equipment	Installations under construction	Total
<b>Cost</b>							
<b>at January 1, 2004</b>	<b>5,251</b>	<b>84,420</b>	<b>152,395</b>	<b>32,348</b>	<b>1,031</b>	<b>5,230</b>	<b>280,675</b>
Changes in the scope of consolidation	1,500	4,760	6,235	384			12,879
Capital expenditure in the year under review	394	604	11,353	2,828		-2,741	12,438
Disposals			-5,867	-1,858			-7,725
Other changes			-875	182	4,733		4,040
Change in acc. translation diff.	-9	-69	-323	-88		1	-488
<b>at December 31, 2004</b>	<b>7,136</b>	<b>89,715</b>	<b>162,918</b>	<b>33,796</b>	<b>5,764</b>	<b>2,490</b>	<b>301,819</b>
Changes in the scope of consolidation	605	6,853	5,128	2,797		16	15,399
Capital expenditure in the year under review		4,478	9,003	3,635	665	2,801	20,582
Disposals		-150	-17,770	-367	-1,847	-443	-20,577
Other changes			-249	249			0
Change in acc. translation diff.	12	152	2,113	245		71	2,593
<b>at December 31, 2005</b>	<b>7,753</b>	<b>101,048</b>	<b>161,143</b>	<b>40,355</b>	<b>4,582</b>	<b>4,935</b>	<b>319,816</b>
<b>Accumulated depreciation</b>							
<b>at January 1, 2004</b>	<b>0</b>	<b>-21,642</b>	<b>-97,009</b>	<b>-17,814</b>	<b>0</b>	<b>0</b>	<b>-136,465</b>
Changes in the scope of consolidation							0
Depreciation in the year under review		-2,821	-11,019	-4,637	-2,888		-21,365
Impairment provision							0
Impairment release							0
Disposals			5,555	1,713			7,268
Other changes			-300				-300
Change in acc. translation diff.		9	179	58			246
<b>at December 31, 2004</b>	<b>0</b>	<b>-24,454</b>	<b>-102,594</b>	<b>-20,680</b>	<b>-2,888</b>	<b>0</b>	<b>-150,616</b>
Changes in the scope of consolidation		-2,555	-3,417	-2,264			-8,236
Depreciation in the year under review		-3,225	-11,595	-4,598	-2,867		-22,285
Impairment provision							0
Impairment release							0
Disposals		13	17,469	251	1,847		19,580
Other changes							0
Change in acc. translation diff.		-47	-860	-127			-1,034
<b>at December 31, 2005</b>	<b>0</b>	<b>-30,268</b>	<b>-100,997</b>	<b>-27,418</b>	<b>-3,908</b>	<b>0</b>	<b>-162,591</b>
<b>Book values</b>							
at January 1, 2004	5,251	62,778	55,386	14,534	1,031	5,230	144,210
at December 31, 2004	7,136	65,261	60,324	13,116	2,876	2,490	151,203
at December 31, 2005	7,753	70,780	60,146	12,937	674	4,935	157,225
<b>of which leased installations (finance leases)</b>							
at January 1, 2004			2,813				2,813
at December 31, 2004	1,500	4,701	2,858				9,059
at December 31, 2005	1,500	4,701	3,464	57			9,722

The leased land and buildings relate to a purchase commitment vis-à-vis Franke Schweiz AG for manufacturing premises in Wolfwil. This property is currently rented by Styner+Bienz FormTech Ltd. Purchase will be completed by the end of 2006. The leased machinery and equipment and other tangible fixed assets relate to manufacturing equipment at companies in the Injection Molding Division.

Orders totaling CHF 0.8 million were outstanding on December 31, 2005, for capital goods which had not yet been delivered or invoiced and were therefore not yet included in tangible fixed assets (CHF 0.7 million in 2004).

The other changes in 2004 mainly concerned manufacturing equipment produced in-house and leased to customers upon commissioning. Further information on this is provided in explanatory note 9.

## 9. INCOME FROM LEASING TRANSACTIONS

Leasing contracts have been concluded with customers for dies and molds with which Adval Tech manufactures components. Rental payments are used to amortize the cost of the manufacturing equipment and in most cases depend on the number of components delivered. The rental income to be expected from these contracts in future is:

CHF 1,000	12/31/2005
within one year	473
in two to five years	201
after more than five years	
<b>Total future rental income</b>	<b>674</b>

## 10. FINANCIAL ASSETS

The Adval Tech Group concludes finance lease agreements with its customers in the context of its operating business. These agreements are concluded for molds and dies used for volume component manufacture. Amortization payments usually depend on the number of components delivered per period, with a minimum amount agreed for all amortization payments.

in CHF 1,000	12/31/2005	12/31/2004
Receivables from finance lease contracts	1,027	183
Other long-term receivables	722	754
Long-term loans	393	0
<b>Total financial assets</b>	<b>2,142</b>	<b>937</b>

Credits from finance lease contracts stated at net present value are due for payment as follows:

in CHF 1,000	12/31/2005
within one year	1,274
in two to five years	1,027
after more than five years	0
<b>Total future leasing income</b>	<b>2,301</b>

The nominal value of these credits totals CHF 2.4 million. The amounts due for payment within one year are included in "Other short-term receivables".

**11. INTANGIBLE ASSETS**

CHF 1,000	Goodwill	Other	Total
<b>Cost</b>			
<b>at December 31, 2004</b>	<b>919</b>	<b>1,311</b>	<b>2,230</b>
Changes in the scope of consolidation	1,987	245	2,232
Capital expenditure in the year under review			0
Disposals			0
Other changes			0
Change in accumulated translation difference		1	1
<b>at December 31, 2005</b>	<b>2,906</b>	<b>1,557</b>	<b>4,463</b>
<b>Accumulated depreciation</b>			
<b>at December 31, 2004</b>	<b>-919</b>	<b>-305</b>	<b>-1,224</b>
Changes in the scope of consolidation			0
Depreciation in the year under review		-311	-311
Impairment provision			0
Impairment release			0
Disposals			0
Other changes			0
Change in accumulated translation difference		-1	-1
<b>at December 31, 2005</b>	<b>-919</b>	<b>-617</b>	<b>-1,536</b>
<b>Book values</b>			
at December 31, 2004	0	1,006	1,006
at December 31, 2005	1,987	940	2,927

The other intangible assets mainly represent the value of the customer relationships gained through the acquisitions. They will be amortized in full within five years.

The research and development expenditure included in the income statement totaled CHF 1.5 million (CHF 2.4 million in 2004).

The amortization of the goodwill arising from the acquisition of Lanz Industrietechnik AG in 2004 is described in the transfer of shareholders' equity as of December 31, 2004, in explanatory note 2.2. The acquisition value of the goodwill on January 1, 2004, amounted to CHF 0.0 million, CHF 0.9

million was added in the course of the year due to the change in the scope of consolidation and CHF 0.9 million was amortized due to impairment, resulting in total goodwill of CHF 0.0 million at the end of 2004.

The goodwill arising from the acquisition of Teuscher Kunststoff-Technik AG was verified on the occasion of its first-time consolidation. This showed that the goodwill has maintained its value. This examination was based on the business plan approved by the Board of Directors for the current year and the coming three years. Planning assumes long-term growth of 1% and a discount rate of 8%.

## 12. TRADE ACCOUNTS PAYABLE

CHF 1,000	12/31/2005	12/31/2004
Trade accounts payable to third parties	17,126	13,671
Trade accounts payable to related parties	879	403
<b>Total trade accounts payable</b>	<b>18,005</b>	<b>14,074</b>

## 13. SHORT-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2005	12/31/2004
Banks	1,384	16,664
Short-term leasing liabilities to third parties	1,032	785
Short-term leasing liabilities to related parties	255	248
<b>Total short-term interest-bearing liabilities</b>	<b>2,671</b>	<b>17,697</b>

Short-term liabilities to banks are current account overdrafts at interest rates based on LIBOR or EURIBOR.

The decline in this item is related to the conclusion of a syndicated loan agreement (cf. explanatory note 15).

The short-term bank loans are covered by total liquid assets of CHF 10.9 million (gross).

#### 14. OTHER SHORT-TERM LIABILITIES

CHF 1,000	12/31/2005	12/31/2004
Advance payments by third parties	4,912	4,288
Other short-term liabilities to third parties	2,516	3,464
Other short-term liabilities to related parties	0	354
Liabilities arising from negative replacement values of derivative financial instruments	1	1
<b>Total other short-term liabilities</b>	<b>7,429</b>	<b>8,107</b>

#### 15. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2005	12/31/2004
Mortgages	5,350	17,500
Long-term leasing liabilities to third parties	1,178	1,559
Long-term leasing liabilities to related parties	4,254	4,257
Long-term interest-bearing loans	84,182	51,795
<b>Total long-term interest-bearing liabilities</b>	<b>94,964</b>	<b>75,111</b>

Mortgages on business premises are largely concluded with long-term contracts at fixed interest rates. The latest contracts expire in 2007.

The average interest charge in the year under review was 2.6% (3.1% in 2004).

The long-term interest-bearing liabilities are bank loans. They are based mainly on a revolving credit facility concluded with a banking consortium in June 2005 for up to CHF 120 million, with a term of four years. The credit facility is dependent on compliance with key financial statistics (levels of debt and interest cover, leverage ratio), all of which were complied with at the end of 2005. The amount of credit is continuously adjusted to current financial requirements in order to optimize financing costs.

## 16. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	12/31/2005	12/31/2004
<b>Face value of liabilities arising from leasing contracts due</b>		
within one year	1,328	1,086
in two to five years	5,976	6,369
in more than five years		
<i>Total future payment commitments</i>	<i>7,304</i>	<i>7,455</i>
less proportionate interest on the payments	-585	-606
<i>Net present value of liabilities arising from finance leases</i>	<i>6,719</i>	<i>6,849</i>
of which short-term leasing liabilities	1,287	1,033
of which long-term leasing liabilities	5,432	5,816
<b>Net present value of liabilities arising from leasing contracts due</b>		
within one year	1,287	1,033
in two to five years	5,432	5,816
in more than five years		
<b>Total net present value</b>	<b>6,719</b>	<b>6,849</b>

## 17. PROVISIONS

CHF 1,000	Warranty provisions	Payments to employees	Other provisions	Total
Long-term provisions at December 31, 2004		1,258	2	1,260
Short-term provisions at December 31, 2004	1,805		581	2,386
<b>Total at December 31, 2004</b>	<b>1,805</b>	<b>1,258</b>	<b>583</b>	<b>3,646</b>
Change in the scope of consolidation	70	63		133
Addition	56	334	1,095	1,485
Utilization	-26		-15	-41
Release of provisions no longer required	-287	-153	-200	-640
Difference arising from currency translation	4		17	21
Adjustments to net present value				0
<b>Total at December 31, 2005</b>	<b>1,622</b>	<b>1,502</b>	<b>1,480</b>	<b>4,604</b>
Long-term provisions at December 31, 2005	480	1,502	602	2,584
Short-term provisions at December 31, 2005	1,142		877	2,019

## 18. DEFERRED TAXES

Deferred income tax assets and liabilities arising from temporary differences were as follows at the end of the year under review:

CHF 1,000	Credits	Liabilities	Balance
Accumulated losses	754		754
Current assets	251	3,820	-3,569
Tangible fixed assets	295	10,058	-9,763
Other fixed assets	16	549	-533
Liabilities	545	1,046	-501
<b>Total at December 31, 2005</b>	<b>1,861</b>	<b>15,473</b>	<b>-13,612</b>

2004:

CHF 1,000	Credits	Liabilities	Balance
Accumulated losses	2,308		2,308
Current assets	150	3,641	-3,491
Tangible fixed assets	142	11,677	-11,535
Other fixed assets	274	597	-323
Liabilities	593	1,515	-922
<b>Total at December 31, 2004</b>	<b>3,467</b>	<b>17,430</b>	<b>-13,963</b>

Deferred income taxes are stated in the balance sheet as follows:

CHF 1,000	12/31/2005	12/31/2004
Deferred tax liability	14,074	14,254
Deferred tax asset	462	291
<b>Total</b>	<b>13,612</b>	<b>13,963</b>

The following tax losses have not yet been utilized and no deferred tax claim for them has been included in the balance sheet:

CHF 1,000	12/31/2005	12/31/2004
expiring in one year		20
expiring in two years		
expiring in three years	560	
expiring in four years	27	1,443
expiring in five years	855	27
expiring in more than five years	1,267	1,995
<b>Total</b>	<b>2,709</b>	<b>3,485</b>

## 19. STATEMENT OF SHARE CAPITAL

Share capital was as follows on December 31, 2005:

	Registered shares
At January 1, 2005	365,000
At December 31, 2005	365,000
	fully paid
Par value in CHF	20
Dividend restrictions	none
Voting restrictions	exist
Number of shares held by the Adval Tech Group on December 31	283

No shares were reserved for issue in respect of options or sales agreements in the year under review.

Share capital was increased by CHF 0.3 million par value in 2004 through the issue of 15,000 registered shares of CHF 20.00 per vote. Series-A and -B shares were also combined into a single share category.

No shareholder is entered in the shareholders' register in respect of more than 5% of the registered share capital recorded in the Commercial Register. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. Associated groups of individuals who act in concert in order to circumvent the restrictions on registration are deemed to be a single purchaser. The Board of Directors can permit exceptions. This voting restriction does not apply to the shareholders who were entered in the register with a holding of registered shares in excess of 5% of all share votes when the provision in the Articles of Incorporation regarding voting restrictions was adopted (Rudolf Styner, Hansruedi Bienz, Ordinary Partnership Dreier). Fiduciary entries in the shareholders' register are only possible without voting rights.

## 20. NET TURNOVER

CHF 1,000	2005	2004
Net income from deliveries and services	216,146	217,562
Income from manufacturing orders (valued using the percentage-of-completion method)	29,579	32,792
<b>Total net turnover</b>	<b>245,725</b>	<b>250,354</b>

Net turnover from deliveries and services includes invoiced deliveries and services. Income from manufacturing orders (valued using the percentage-of-completion method) includes invoiced income from manufacturing orders valued using the percentage-of-completion method, adjusted for changes in their inventories.

## 21. COST OF MATERIALS AND SERVICES

Compared to 2004, the cost of materials and services as a proportion of total income has increased by 0.4 percentage points to 35.1%. While the Stamping and Forming Division recorded an increase in the cost of materials and services relative to total income as a result, inter alia, of the effect of integrating Lanz and the increase in output by Styner+Bienz do Brasil Ltda., this ratio declined at the Injection Molding Division due to reduced placement of orders with third parties.

## 22. PERSONNEL EXPENSES

The average number of employees increased by 58 to 1,122 in 2005. The increase in the average number of employees was due to acquisitions.

### 23. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

In addition to the statutory social security schemes, the group operates defined-benefit plans as defined by IAS 19. These were appraised by an independent actuary as of January 1, 2004. The assets are almost exclusively managed in separate pension

funds. Unless the plans are segregated from the company, the relevant assets and liabilities are stated in the balance sheet.

The actuarial calculations according to IAS produced the following figures:

CHF 1,000	12/31/2005	12/31/2004
<i>Plans with separate pension funds:</i>		
Current value of plan assets	151,611	132,204
Net present value of benefits	142,486	131,780
Surplus	9,125	424
Unrecorded actuarial gains (-)/losses (+)	-9,636	-853
Net status	-511	-429
<i>Plans without separate pension funds:</i>		
Net present value of benefits	698	726
Unrecorded working time for subsequent recognition	0	0
Net present value of pension provision stated in the balance sheet	698	726

The assets of the plan included no direct investments in shares of Adval Tech Holding Ltd in the year under review and the previous year.

CHF 1,000	12/31/2005	12/31/2004
Amounts included in the balance sheet:		
Asset value of pension commitments (from reinsurance)	698	726
Pension provisions	698	726
Changes in assets and liabilities included in the balance sheet:		
Pension provision at beginning of period	429	441
Translation differences		
Pension costs	4,091	4,089
Working time recognized subsequently		
Addition arising from change in scope of consolidation	75	
Income from disposal of pension fund	-165	
Payments made	-3,919	-4,101
Pension provision at end of period	511	429
Provision for other payments to employees	991	829
Provisions for payments to employees at end of period	1,502	1,258

CHF 1,000	2005	2004
Expenses recorded in the income statement		
Current service expenses	9,439	9,184
Interest expenses	4,562	4,290
Income expected from plan assets	-5,891	-5,496
Net outcome of additions and disposals of pension funds	-90	
Employees' contributions	-4,019	-3,889
<b>Total expenses for pension liabilities</b>	<b>4,001</b>	<b>4,089</b>

Material actuarial assumptions	12/31/2005	12/31/2004
Discount rate	3.00%	3.50%
Income expected from plan assets	4.30%	4.50%
Future wage increases	2.00%	2.00%
Increase in future pension benefits	1.00%	1.00%

The actual investment income of the employee pension funds in the year under review was CHF 12.7 million (CHF 6.1 million in 2004).

#### 24. OTHER OPERATING EXPENSES

CHF 1,000	2005	2004
Maintenance, repair, replacements, operating materials	-14,842	-12,996
Premises, energy	-7,976	-7,359
Insurance, office and administration expenses	-6,927	-5,869
Marketing, sales and distribution expenses	-8,338	-7,457
Sundry operating expenses	-1,228	-1,395
<b>Total other operating expenses</b>	<b>-39,311</b>	<b>-35,076</b>

Sundry operating expenses include: capital taxes of CHF 0.1 million (CHF 0.1 million in 2004), losses of CHF 0.3 million on sales of tangible fixed assets (CHF 0.0 million in 2004), exceptional expenses of CHF 0.1 million (CHF 0.2 million in 2004).

#### 25. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1,000	2005	2004
Interest earned	720	647
Currency gains	1,882	131
Gains on derivative financial instruments	8	
Other financial income	941	1,200
<b>Total financial income</b>	<b>3,551</b>	<b>1,978</b>
Interest paid	-2,581	-2,724
Currency losses	-961	-370
Unrealized translation differences	-158	-219
Losses on derivative financial instruments	-1	
Other financial expenses	-740	-1,389
<b>Total financial expenses</b>	<b>-4,441</b>	<b>-4,702</b>
<b>Net financial income</b>	<b>-890</b>	<b>-2,724</b>

Other financial expenses and income consists mainly of discounts granted to our customers and received from suppliers.

## 26. TAXES

CHF 1,000	2005	2004
Current income taxes	-860	-4,785
Change in provision for deferred taxes	458	598
<b>Total tax expenses</b>	<b>-402</b>	<b>-4,187</b>

Transition from profit before taxes to tax expenses:

CHF 1,000	2005	2004
Profit before taxes	4,239	17,486
Applicable tax rate (%)	26.8	29.2
Tax expenses at applicable tax rate	-1,138	-5,099
Impact of utilization of non-capitalized tax loss carry-forwards	367	675
Impact of non-tax-deductible expenses	-1,174	-622
Impact of non-taxable income	1,452	917
Impact of permanent differences		-202
Other	91	144
<b>Tax expenses in the income statement</b>	<b>-402</b>	<b>-4,187</b>

The applicable tax rate declined by 2.4 percentage points, primarily due to the lower pretax profit in countries with high tax rates.

**27. EARNINGS PER SHARE**

Earnings per share are calculated as follows:

	2005	2004
Net profit (CHF 1,000)	3,837	13,300
Average number of shares outstanding	364,717	357,168
Undiluted earnings per share (CHF)	10.52	37.24
Diluted earnings per share (CHF)	10.52	37.24

**28. TAXES AND INTEREST ON  
BORROWINGS ACTUALLY PAID;  
NON-CASH TRANSACTIONS**

Taxes actually paid in the year under review amounted to CHF 2.2 million (CHF 2.9 million in 2004). There was an outflow of CHF 2.3 million for interest on borrowings in 2005 (CHF 1.8 million in 2004). Inflows from interest income in the year under review totaled CHF 0.7 million (CHF 0.6 million in 2004).

There were no material non-cash transactions in the year under review. Financing of the acquisition of Lanz Industrietechnik AG in 2004 via an increase in share capital was essentially liquidity-neutral.

## 29. SEGMENTAL REPORTING

The allocation of business activities to the group's two divisions in 2005 is reflected in the following table:

CHF 1,000	Stamping and Forming Division	Injection Molding Division	Other units Eliminations	Total
Net turnover from deliveries and services	119,319	96,827		216,146
Income from manufacturing orders (valued using the percentage-of-completion method)	3,192	26,387		29,579
Net turnover	122,511	123,214		245,725
Total income from third parties and related parties	130,391	121,059	421	251,871
Intragroup income	440	92	9,089	9,621
Total income	130,831	121,151	-111	251,871
EBITDA	14,763	12,485	477	27,725
EBIT	2,962	1,869	298	5,129
Total assets (December 31)	99,650	171,008	5,783	276,441
Total liabilities (December 31)	82,282	112,940	-41,290	153,932
Capital expenditure				
– on tangible fixed assets	-4,906	-15,294	-382	-20,582
– on intangible assets		-2,232		-2,232
Depreciation	-11,801	-10,616	-179	-22,596
Other non-cash items	2,032	520	-150	2,402

The figures for 2004 were as follows:

CHF 1,000	Stamping and Forming Division	Injection Molding Division	Other units Eliminations	Total
Net turnover from deliveries and services	104,450	113,112		217,562
Income from manufacturing orders (valued using the percentage-of-completion method)	1,505	31,287		32,792
Net turnover	105,955	144,399		250,354
Total income from third parties and related parties	113,634	148,807	412	262,853
Intragroup income	1,513	145	9,560	11,218
Total income	115,147	148,952	-1,246	262,853
EBITDA	14,578	27,113	947	42,638
EBIT	2,687	16,810	714	20,211
Total assets (December 31)	102,066	160,355	3,532	265,953
Total liabilities (December 31)	88,327	99,044	-42,005	145,366
Capital expenditure				
– on tangible fixed assets	-4,512	-7,707	-219	-12,438
– on intangible assets	-2,066			-2,066
Depreciation	-11,891	-10,303	-233	-22,427
Other non-cash items	-251	-216		-467

Depreciation at the Stamping and Forming Division in 2004 includes goodwill amortization of CHF 0.9 million.

The activities of the two divisions in 2005 and the group structure are explained in the annual report.

Income by region is as follows:

CHF 1,000	2005	2004
<b>Net turnover</b>	<b>245,725</b>	<b>250,354</b>
– of which Europe, Middle East, Africa	190,063	190,845
– of which America	37,664	34,942
– of which Asia and Oceania	17,998	24,566

Net turnover in the Europe, Middle East, Africa region includes CHF 0.7 million of turnover with related parties in 2005 (CHF 0.2 million in 2004).

Assets and capital expenditure by location are as follows:

CHF 1,000	2005	2004
<b>Total assets (December 31)</b>	<b>276,441</b>	<b>265,953</b>
– of which Europe, Middle East, Africa	262,329	254,716
– of which America	10,130	7,959
– of which Asia and Oceania	3,982	3,278
<b>Capital expenditure on tangible fixed assets, total</b>	<b>–20,582</b>	<b>–12,438</b>
– of which Europe, Middle East, Africa	–19,875	–12,211
– of which America	–706	–220
– of which Asia and Oceania	–1	–7
<b>Capital expenditure on intangible assets</b>	<b>–2,232</b>	<b>–2,066</b>
– of which Europe, Middle East, Africa	–2,232	–2,066
– of which America		
– of which Asia and Oceania		

### 30. DIVIDENDS PAID

The annual general meeting of Adval Tech Holding Ltd for the 2004 financial year, held on June 16, 2005, approved the payment of a gross dividend of CHF 14.00 on June 21, 2005, resulting in a total distribution of CHF 5.11 million. The distribution was deducted from shareholders' equity following the approval of the relevant motion by the annual general meeting.

### 3. PLEDGED ASSETS

CHF 1,000	12/31/2005	12/31/2004
Book value of pledged receivables		3,946
Book value of pledged inventories		
Book value of pledged tangible fixed assets	9,945	63,299
Book value of pledged intangible assets		
Book value of pledged inventories		
<b>Total pledged assets</b>	<b>9,945</b>	<b>67,245</b>

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.

### 32. FIRE INSURANCE VALUES

CHF 1,000	12/31/2005	12/31/2004
Real estate	108,736	98,002
Other tangible fixed assets	266,479	265,382

### 33. CONTINGENT AND FUTURE LIABILITIES

CHF 1,000	12/31/2005	12/31/2004
Contingent liabilities in favor of third parties	1,585	479
Liabilities arising from leases	5,644	2,657
Liabilities arising from operating leases	179	328

Contingent liabilities originate from guarantees issued as security for advance payments by customers, finance lease transactions and import duties. A cash outflow is deemed unlikely.

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

Future rental payments fall due as follows: CHF 2.4 million within one year, CHF 3.1 million in two to five years, CHF 0.1 million in more than five years.

### 34. FINANCIAL INSTRUMENTS

Market values are calculated on the basis of individual valuations of the open instruments on balance sheet date.

The total change in market value was CHF 7,000.

The following financial instruments for limiting financial risks existed on balance sheet date (in CHF 1,000).

Interest rate risks:

Instrument	Contract value	Replacement value	
		positive	negative
Interest rate cap	77,500	157	
<b>Total</b>	<b>77,500</b>	<b>157</b>	<b>0</b>

Interest rate caps were purchased in October 2005 in order to limit the risks of a rise in interest rates. The size of this hedge was specified on the basis of the credit volume planned for the medium term. The hedges are valid until 2008 at the latest.

Instrument	Contract value	Replacement value	
		positive	negative
Options		14	
Forward transaction	1,105		-1
Swaps	2,542	8	
<b>Total</b>	<b>3,647</b>	<b>22</b>	<b>-1</b>

The above-mentioned options and forward transactions serve to hedge future USD payments arising from contracts concluded. They mature in 2007 at the latest. The swaps expire in 2006.

### 35. TRANSACTIONS WITH RELATED PARTIES

The following persons and companies were deemed to be related parties in the year under review:

- the pension fund of Adval Tech Holding Ltd
- Artemis Beteiligungen II AG, Hergiswil
- Franke Holding AG, Aarburg, and the companies of the Franke Group
- the members of the Board of Directors and group management

The following business transactions were material in the year under review:

Contributions of CHF 3.9 million to the pension fund of Adval Tech Holding Ltd, posted as expenses.

Liabilities to related parties on balance sheet date totaled CHF 5.4 million, of which CHF 4.6 million related to a leasing commitment vis-à-vis the Franke Group (cf. explanatory note 8) and the remainder to outstanding contributions to the pension fund.

The members of the Board of Directors and group management received only fees and salaries totaling CHF 2.2 million in the year under review.

### 36. EVENTS OCCURRING AFTER BALANCE SHEET DATE

No events that would adversely effect the information provided by the 2005 consolidated accounts have occurred since balance sheet date.

### 37. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were released for publication by the Board of Directors of Adval Tech Holding Ltd on April 7, 2006.

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, statement of changes in equity and notes / pages 6 to 45) of Adval Tech Holding Ltd for the year ended December 31, 2005.

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 Swiss Auditing Standards and with the International Standards on Auditing, 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 International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers AG

Peter Wittwer    Martin Köhli

Berne, April 7, 2006

# FINANCIAL REPORTS OF ADVAL TECH HOLDING LTD

## I. BALANCE SHEET

CHF	12/31/2005	12/31/2004
Liquid assets	1,056,204	1,291,409
Receivables		
– from third parties	170,918	9,882
– from group companies	2,349,205	2,094,105
Prepaid expenses and accrued income		
– from third parties	667,144	21,359
– from group companies	0	0
<b>Total current assets</b>	<b>4,243,471</b>	<b>3,416,755</b>
Investments in group companies	30,178,396	24,563,210
Loans to group companies	112,179,039	92,732,376
Intangible assets	319,887	639,751
<b>Total fixed assets</b>	<b>142,677,322</b>	<b>117,935,337</b>
<b>Total assets</b>	<b>146,920,793</b>	<b>121,352,092</b>
Bank debt	0	750,363
Accounts payable	27,059	42,172
Other liabilities		
– to third parties	13,145	0
– to group companies	2,250	86,250
Accrued expenses	372,541	243,239
<i>Short-term liabilities</i>	<i>414,995</i>	<i>1,122,024</i>
Long-term liabilities		
– to third parties	68,000,000	48,500,000
– to group companies	400,000	
Provisions	1,565,933	1,539,248
<i>Long-term liabilities</i>	<i>69,965,933</i>	<i>50,039,248</i>
<b>Total liabilities</b>	<b>70,380,928</b>	<b>51,161,272</b>
Share capital	7,300,000	7,300,000
General reserves	9,500,000	9,500,000
Reserve for treasury stock	81,863	81,863
Free reserves	15,013,784	15,013,784
<i>Share capital and reserves</i>	<i>31,895,647</i>	<i>31,895,647</i>
Balance brought forward	33,185,173	26,920,949
Net profit for the year	11,459,045	11,374,224
<i>Retained earnings</i>	<i>44,644,218</i>	<i>38,295,173</i>
<b>Total shareholders' equity</b>	<b>76,539,865</b>	<b>70,190,820</b>
<b>Total liabilities</b>	<b>146,920,793</b>	<b>121,352,092</b>

## 2. INCOME STATEMENT

CHF	2005	2004
Income from investments in group companies	9,500,000	10,900,000
Other income from third parties	0	15,000
Other income from group companies	388,213	431,315
Interest income from group companies	3,247,657	2,319,265
Interest income from third parties	341,492	347,775
<b>Total operating earnings</b>	<b>13,477,362</b>	<b>14,013,355</b>
Interest expenses, third parties	1,339,870	1,856,150
Interest expenses, group companies	14,656	12,000
Business and administration expenses	151,076	305,260
<b>Operating expenses</b>	<b>1,505,602</b>	<b>2,173,410</b>
Amortization of intangible assets	319,864	319,856
<b>Operating earnings before taxes</b>	<b>11,651,896</b>	<b>11,520,089</b>
Non-operating earnings	23,693	0
Non-operating expenses	0	0
Net profit before taxes	11,675,589	11,520,089
Taxes	216,544	145,865
<b>Net profit after taxes</b>	<b>11,459,045</b>	<b>11,374,224</b>

### 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 no shares were purchased or sold from the 283 shares of treasury stock held on December 31, 2004.

#### Intangible assets

There were no purchases or sales of intangible assets in the year under review. Intangible assets are amortized within five years.

#### Investment holdings

The investment holdings of Adval Tech Holding Ltd are listed on page 23 of this report.

#### Major shareholders

As of December 31, 2005, the following shareholders held more than 5% of the registered share capital recorded in the Commercial Register:

■ Rudolf Styner .....	24.6%
■ Artemis Beteiligungen II AG, Hergiswil	20.3%
■ Hansruedi Bienz .....	18.8%
■ Ordinary Partnership Dreier .....	8.4%
■ Lombard Odier Darier Hentsch Fund Managers SA, Geneva .....	6.0%
■ Sarasin Investmentfonds AG, Basel .....	5.0%

#### Guarantees to third parties

As of December 31, 2005, Adval Tech Holding Ltd has issued guarantees to its bankers, to leasing companies and to customers in respect of a total of CHF 31,635,000. These serve to secure loans, credit lines and leasing transactions of subsidiaries of Adval Tech Holding Ltd. There is also a contingent liability arising from a future real estate transaction vis-à-vis Franke Schweiz AG of CHF 4.6 million.

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

At the disposal of the annual general meeting of shareholders		2005	2004
Balance brought forward	CHF	33,185,173	26,920,949
Net profit	CHF	11,459,045	11,374,224
<b>Retained earnings</b>	<b>CHF</b>	<b>44,644,218</b>	<b>38,295,173</b>
Proposal by the Board of Directors			
Dividend of CHF 14 gross per registered share	CHF	5,110,000	5,110,000
Carried forward to new account	CHF	39,534,218	33,185,173
	<b>CHF</b>	<b>44,644,218</b>	<b>38,295,173</b>

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 / page 47 to 49) of Adval Tech Holding Ltd for the year ended December 31, 2005.

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 Swiss Auditing Standards, 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 AG

Peter Wittwer    Martin Köhli

Berne, April 7, 2006

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