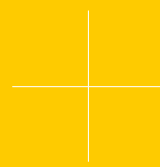
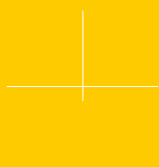
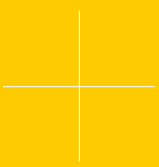
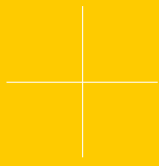
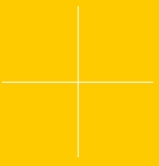
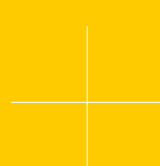
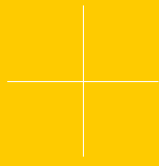
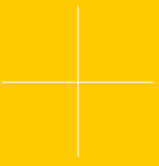


# advaltech

THE FIRST HALF OF 2006

STAMPING AND FORMING ON TRACK  
DISAPPOINTING RESULTS FROM INJECTION MOLDS  
HEALTHY TREND IN THE COMPONENTS BUSINESS





## DEAR SHAREHOLDERS,

**First things first: We cannot be satisfied with our results in the first half of 2006. The Adval Tech Group has derived too little benefit from the positive overall investment climate. The good results reported by the Stamping and Forming Division (Styner+Bienz) were not sufficient to offset the downturn at the Injection Molding Division. In particular, the two moldmaking companies AWM and Foboha posted disappointing results. While the slump in the optical disc market and the resulting inadequate utilization of capacity were the main reason for the poor figures at AWM, development contracts undertaken at the company's own risk and special costs in connection with the move to its enlarged premises were the cause at Foboha. On the other hand, the components business developed positively at both divisions.**

The group's total income of CHF 133.5 million was slightly higher than in the previous year (CHF 131.9 million), while operating earnings before depreciation, interest and taxes (EBITDA) of CHF 13.2 million (CHF 16.2 million in 2005) and net profit of CHF 0.6 million (CHF 3.1 million in 2005) were significantly lower. Nevertheless, this outcome compares favorably with the second half of the previous year. Total income and operating earnings were considerably higher, while net profit was virtually unchanged. The level of positive free cash flow was again an encouraging feature.

### Strategic review

In the course of the first half of 2006 we completed the strategic review launched in autumn 2005. The projects and actions approved by the board of directors are being pursued further and put into practice. The systematic appraisal of the situation has fundamentally confirmed that the group's strategic positioning is correct, but also pointed to the need for some major adjustments:

- The Adval Tech Group needs to focus more systematically on the globalization process. In addition to its already extensive export activities, this calls for company-owned distribution and manufacturing platforms in its main geographical markets.
- A core element of our future thrust is the focus on applications featuring high unit volumes and repeatability. This results in a shift in emphasis from technology to application and customer orientation.
- This new focus entails limitations on the markets being served. We will concentrate on the application sectors of optical discs, automotive, medical technology/pharmaceuticals and consumer goods. We aim to focus on promising segments and selected client groups within these sectors. The typical Adval Tech customer will in future be characterized to an even greater extent by its global presence and the needs associated with this. In this customer segment we can exploit our technological leadership and size.
- The significance of the components business will increase overall. In conjunction with this are closer links between moldmaking and the components business in injection molding, and at the same time also the exploitation of our two basic technologies of injection molding (plastics) and stamping and forming (metals) in combination.
- The group will play a more important role in future with regard to strategic market focus, especially with a view to exploiting the potential synergies of both divisions. At the same time we aim to utilize the «Adval Tech» umbrella brand consistently in order to exploit the strength of the group.

The board of directors has adopted a master plan containing a number of strategic and operating projects. These include detailed strategies and plans of action for the newly defined segments in the key markets, in particular also for the rapid expansion of our position in selected applications in medi-

cal technology. The above-average organic growth of Teuscher Kunststoff-Technik AG, acquired last year, will result in an expansion of the Grenchen site. In addition, we intend to evaluate a distribution and manufacturing platform in Eastern Europe. The focus here is on the specific demands made on the Stamping and Forming Division by the automobile industry. At the same time, however, the preconditions for expansion by our other division are to be created in order to respond to growing demand in the field of metal/plastics composite technology. We will implement a manufacturing strategy for our moldmaking sites in Switzerland and Germany in order to utilize more effectively the existing potential for synergies.

#### **Injection Molding Division**

The Injection Molding Division reported total income of CHF 64.8 million in the first half of 2006 (CHF 65.1 million in the previous year). Operating earnings before depreciation, interest and taxes (EBITDA) declined by 51.4% to CHF 4.2 million (CHF 8.6 million in 2005). The corresponding EBITDA margin of 6.4% is totally inadequate. Operating earnings before interest and taxes (EBIT) were actually negative (– CHF 1.6 million). However, this was a slight improvement compared with the second half of 2005.

AWM's moldmaking activities suffered from the very sluggish optical disc market in the past six months. We recorded a decline in sales of more than CHF 8 million compared with the same period of the previous year. This affected both molds for data media and those for packaging. The consolidation of the market for OD production systems had a negative impact on AWM in the near term. The simultaneous reduction in volumes further intensified this effect. We are in the process of redefining our strategy in this changed environment and we are convinced that we will hold our strong position in this market on the basis of our continued technological leadership. However, we have to acknowledge that total market volumes will be significantly smaller in future than in the years 2000 to 2004.

Increased sales of molds for screw closures, aerosol components and automotive applications were insufficient to offset the decline in the OD business. The much less frequent serial effects in the manufacture of single molds further depressed margins. On the cost side we were able to absorb the decline in output only inadequately. The action taken to increase sales and productivity will only start to have an impact in the second half of the year.

Foboha manufactures molds mainly for applications in the fields of packaging, consumer goods, telecommunications and medical technology/pharmaceuticals. This unit posted higher total income compared with the previous year and the second half of 2005. Special costs and non-recurring expenses in connection with the move into the enlarged premises at Haslach depressed the outcome for the first six months. At the same time the order mix was unfavorable and included an exceptional proportion of development and first-time orders. The pressure on mold prices is enormous. Together with necessary provisions for certain loss-making orders, this further depressed results for the first half of 2006. However, we are confident for the future: Foboha has an above-average level of orders on hand and with its twin cube system is the technological leader in the field of high-performance molds in the rapidly growing market for multi-component applications.

The components business developed well in the past six months. Revenues in this segment increased by some 40%. About half of this rise was due to the integration of Teuscher Kunststoff-Technik AG. All three companies operating in this segment made a positive contribution to operating earnings in the reporting period.

Utilization of manufacturing capacity for volume components was good to very good, both in Merenschwand – where plastic components for the automotive component supply industry are among the products – and also in Grenchen – where precision components for medical technology applications are manufactured.

### Stamping and Forming Division

The main market for the Stamping and Forming Division is the automotive component supply industry. Components for steering systems, seats, airbags, ABS applications and vehicle lamps are the main sources of sales in this sector. The price pressure exerted by the industry on its suppliers remains severe, and demands for global manufacturing facilities are increasing. Eastern Europe is currently a key region in this context.

In the first half of 2006 Styner+Bienz succeeded in increasing total income compared with the same period of the previous year by 2.9% to CHF 68.8 million, EBITDA by CHF 1.1 million to CHF 8.4 million and the corresponding margin by 1.2 percentage points to 12.2%. The increase in EBIT was even more striking: from CHF 0.9 million to CHF 3.2 million.

While Styner+Bienz's total income in Switzerland was slightly lower, that of the manufacturing facility in Brazil rose by more than 100% or some CHF 3 million. This improved performance is attributable primarily to the production of volume components for Bosch, which commenced last autumn. Last year Bosch outsourced to Styner+Bienz the production of some 20 million stamped components/year for 90 different products. Strategy-related reductions in sales of systems had an impact in Switzerland. However, Styner+Bienz increased revenues by more than 7% or CHF 4+ million in its core business, volume components and subassemblies in metal.

In particular, sales of lamp components for the automobile industry, subassemblies for the electrical industry, packaging and mobile phone components exceeded expectations. However, we expect production of this last item to be discontinued in the months to come. Sales of CNC subassemblies for coffee-making machines and medical technology housings were lower than planned.

Pressure on prices for our metal components in the tool business is especially severe. The prices that can be achieved here hardly cover costs, yet at the same time our tools are a decisive distinguishing feature vis-à-vis our competitors and enable us to achieve the growth we seek in the components business.

The marked improvement in the Stamping and Forming Division's operating results was due mainly to the implementation of action to enhance productivity and optimize costs. We have considerably improved process stability at the Wolfwil site compared with the previous year, and this has also resulted in substantially lower error costs. The 2% lower total income at Styner+Bienz's Swiss sites was generated with a 7% reduction in personnel expenses or an average of 36 fewer full-time personnel units.

Styner+Bienz discontinued its active involvement in the complementary business with production systems in mid-2005, but nevertheless sold two transfer lines for manufacturing aerosol packaging components in the first half of 2006. The positive results achieved confirm that the strategic adjustment made in the light of risk minimization and volatility was correct and also contributed to improved margins.

### Outlook

The systematic implementation of the master plan adopted by the board of directors and the projects and actions this contains are top priority objectives for the Adval Tech Group. We also expect an increase in earnings as a result in the second half of the year – especially compared to the first half of 2006.

We are making the following assumptions:

- **Injection Molding Division:** The OD market is likely to remain weak in the second half of the year. However, in light of the much higher level of orders on hand compared with the same period of the previous year in the other moldmaking segments, we

expect an increase in total income. Sales in the components business will probably be at a level similar to that of the first six months. Improved capacity utilization and the impact of the actions initiated will be reflected in improved operating earnings.

- Stamping and Forming Division: Orders on hand, market estimates and the impact of a degree of seasonality in the automobile industry, which is important for us (plant holidays at major customers), mean that lower total income is to be expected in the second half. Operating earnings will therefore probably also turn out somewhat lower than in the first half of 2006.

On this basis we expect total income to be higher than in the previous year and operating earnings to be higher than in 2005 – despite the poor semi-annual results of our moldmaking companies AWM and FoboHa.

The board of directors and group management are convinced that the preconditions for sustained improvement in competitiveness and thus an improvement in results have been created by the projects and actions derived from the strategic review. Their implementation and the restoration of profitability and financial strength we seek to achieve will take time. The improvements achieved in the 2006 financial year are therefore only the first stage of a challenging journey.

Niederwangen, August 2006

Walter Grüebler  
Chairman of the Board

Jean-Claude Philipona  
Chief Executive Officer

## KEY SEMI-ANNUAL FIGURES OF THE ADVAL TECH GROUP

CHF million	1 <sup>st</sup> half of 2006	2 <sup>nd</sup> half of 2005	1 <sup>st</sup> half of 2005
<b>Total income</b>	<b>133.530</b>	<b>119.990</b>	<b>131.881</b>
Stamping and Forming Division	68.757	63.982	66.849
Injection Molding Division	64.768	56.043	65.108
<b>Operating earnings before depreciation (EBITDA)</b>	<b>13.2</b>	<b>11.6</b>	<b>16.2</b>
in % of total income	9.9	9.6	12.3
Stamping and Forming Division	8.4	7.4	7.3
Injection Molding Division	4.2	3.9	8.6
<b>Operating earnings (EBIT)</b>	<b>2.2</b>	<b>0.6</b>	<b>4.6</b>
in % of total income	1.6	0.5	3.5
Stamping and Forming Division	3.2	2.1	0.9
Injection Molding Division	-1.6	-1.6	3.5
<b>Net profit</b>	<b>0.6</b>	<b>0.7</b>	<b>3.1</b>
in % of total income	0.4	0.6	2.4
<b>Cash provided by operating activities</b>	<b>10.3</b>	<b>17.6</b>	<b>15.2</b>
Operative free cash flow	2.3	6.2	5.8
Free cash flow	2.3	6.3	0.3
<b>Capital expenditure</b>	<b>8.3</b>	<b>12.2</b>	<b>8.4</b>
Stamping and Forming Division	1.6	2.6	2.3
Injection Molding Division	6.2	9.3	6.0
<b>Number of employees</b>	<b>1'120</b>	<b>1'129</b>	<b>1'103</b>
Stamping and Forming Division	552	553	548
Injection Molding Division	557	570	549

# SEMI-ANNUAL FINANCIAL STATEMENTS OF THE ADVAL

The semi-annual financial statements of the Adval Tech Group have been drawn up in condensed form in conformity with the accounting principles published in the financial reports for the 2005 financial year and IAS 34.

## CONSOLIDATED BALANCE SHEET

CHF 1000	Notes	6/30/2006	12/31/2005
Liquid assets		10,848	10,937
Trade accounts receivable	2	42,955	34,162
Other receivables		7,481	8,189
Inventories and work in progress		55,946	54,305
Prepaid expenses and accrued income		5,069	6,092
<b>Total current assets</b>		<b>122,299</b>	<b>113,685</b>
Tangible fixed assets		154,643	157,225
Financial assets		1,508	2,142
Intangible assets		3,259	2,927
Deferred taxes (receivable)		363	462
<b>Total fixed assets</b>		<b>159,773</b>	<b>162,756</b>
<b>Total assets</b>		<b>282,072</b>	<b>276,441</b>
Trade accounts payable		18,519	18,005
Liabilities arising from short-term financing		5,865	2,671
Other short-term liabilities	3	10,950	7,429
Accrued expenses	4	19,065	13,893
<b>Total short-term liabilities</b>		<b>54,399</b>	<b>41,998</b>
Long-term interest-bearing liabilities		94,378	94,964
Long-term non interest-bearing liabilities		313	312
Long-term provisions		1,334	2,584
Deferred taxes (payable)		13,660	14,074
<b>Total long-term liabilities</b>		<b>109,685</b>	<b>111,934</b>
<b>Total liabilities</b>		<b>164,084</b>	<b>153,932</b>
Share capital		7,300	7,300
Capital reserves		57,324	57,324
Treasury stock		-82	-82
Translation differences		-1,222	-1,247
Retained earnings	5	54,668	59,214
<b>Total shareholders' equity</b>		<b>117,988</b>	<b>122,509</b>
<b>Total liabilities and shareholders' equity</b>		<b>282,072</b>	<b>276,441</b>

CONSOLIDATED INCOME STATEMENT

CHF 1000	Notes	1 <sup>st</sup> half of 2006	1 <sup>st</sup> half of 2005
<b>Net turnover</b>	6,7	<b>131,199</b>	<b>126,135</b>
<b>Total income</b>	7	<b>133,530</b>	<b>131,881</b>
Cost of materials and services		-50,529	-47,003
Personnel expenses		-49,679	-50,024
Other operating expenses		-20,081	-18,689
<b>Operating expenses</b>		<b>-120,289</b>	<b>-115,716</b>
<b>Operating earnings before depreciation (EBITDA)</b>	7	<b>13,241</b>	<b>16,165</b>
<b>Depreciation</b>		<b>-11,068</b>	<b>-11,609</b>
<b>Operating earnings (EBIT)</b>	7	<b>2,173</b>	<b>4,556</b>
<b>Net financial income</b>	8	<b>-1,381</b>	<b>-521</b>
<b>Net profit before taxes</b>		<b>792</b>	<b>4,035</b>
Taxes		-228	-925
<b>Net profit after taxes</b>		<b>564</b>	<b>3,110</b>
<b>Earnings per share</b>			
Non-diluted earnings per share (in CHF)		1.55	8.52
Diluted earnings per share (in CHF)		1.55	8.52

## CONSOLIDATED CASH FLOW STATEMENT

CHF 1000	Notes	1 <sup>st</sup> half of 2006	1 <sup>st</sup> half of 2005
<b>Net profit after taxes</b>		<b>564</b>	<b>3,110</b>
Depreciation on tangible fixed assets		10,855	11,466
Depreciation on financial assets and intangible assets		213	143
Increase- (+)/decrease (-) in long-term provisions		-425	-76
Increase- (+)/decrease (-) in provision for deferred taxes		-320	-58
Gain (-)/loss (+) from sales of tangible fixed assets		-19	-91
Other non-cash income/expenses		0	41
Increase- (-)/decrease (+) in receivables		-8,117	-957
Increase- (-)/decrease (+) in inventories		-1,773	-2,078
Increase- (-)/decrease (+) in prepaid expenses and accrued income		1,022	-5,559
Increase- (-)/decrease (-) in short-term liabilities		8,328	9,262
<b>Cash provided by operating activities</b>		<b>10,328</b>	<b>15,203</b>
Capital expenditure	7	-8,338	-8,387
Income from sales of tangible fixed assets		184	209
Increase- (-)/decrease (+) in financial assets		637	-1,267
Increase- (-)/decrease (+) in intangible assets		-545	0
Change in the scope of consolidation		0	-5,444
Other non-cash income/expenses		0	-1
<b>Cash used for investing activities</b>		<b>-8,062</b>	<b>-14,890</b>
<b>Free cash flow</b>		<b>2,266</b>	<b>313</b>
Dividends paid	5	-5,110	-5,110
Capital paid in (repaid)		0	0
Purchase (-)/sale (+) of treasury stock		0	0
Increase/decrease in short-/long-term debt		2,603	11,381
<b>Cash provided by financing activities</b>		<b>-2,507</b>	<b>6,271</b>
Translation adjustments		152	571
<b>Change in liquid assets</b>		<b>-89</b>	<b>7,155</b>
Liquid assets on June 30		10,848	16,044
Liquid assets on January 1		10,937	8,889
Change in liquid assets		-89	7,155

**CHANGES IN EQUITY**

<b>1<sup>st</sup> half of 2005</b> CHF 1000	<b>Share capital</b>	<b>Capital reserves</b>	<b>Treasury stock</b>	<b>Translation differences</b>	<b>Retained earnings</b>	<b>Total shareholders' equity</b>
<b>At January 1, 2005</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						0
Change						0
Translation difference				2,378		2,378
Net profit for the year					3,110	3,110
<b>At June 30, 2005</b>	<b>7,300</b>	<b>57,324</b>	<b>-82</b>	<b>-1,389</b>	<b>57,812</b>	<b>120,965</b>
<b>1<sup>st</sup> half of 2006</b> CHF 1000	<b>Share capital</b>	<b>Capital reserves</b>	<b>Treasury stock</b>	<b>Translation differences</b>	<b>Retained earnings</b>	<b>Total shareholders' equity</b>
<b>At January 1, 2006</b>	<b>7,300</b>	<b>57,324</b>	<b>-82</b>	<b>-1,247</b>	<b>59,214</b>	<b>122,509</b>
Dividends					-5,110	-5,110
Purchase/sale of treasury stock						0
Miscellaneous						0
Change						0
Translation difference				25		25
Net profit for the year					564	564
<b>At June 30, 2006</b>	<b>7,300</b>	<b>57,324</b>	<b>-82</b>	<b>-1,222</b>	<b>54,668</b>	<b>117,988</b>

# EXPLANATORY NOTES

## 1. SEASONAL INFLUENCES

The Adval Tech Group operates in various industrial sectors and markets. Seasonal influences in the individual industrial sectors and markets on the consolidated financial statements are not significant.

## 2. TRADE RECEIVABLES

The increase of CHF 8.8 million in this balance sheet item compared to the end of the previous year is attributable in equal portions to both divisions. It was due to above-average levels of invoicing in May and June 2006.

## 3. OTHER SHORT-TERM LIABILITIES

About half of the increase is attributable to withholding tax owed in connection with the dividend paid by Adval Tech Holding Ltd. A further amount of approx. CHF 1 million is due to the increase in VAT liabilities compared to December 31, 2005.

## 4. ACCRUED EXPENSES

This item includes short-term provisions of CHF 2.9 million (CHF 2.0 million on December 31, 2005) and accrued current income taxes of CHF 0.1 million (CHF 0.6 million on December 31, 2005).

The increase of CHF 5.2 million compared to December 31, 2005, is due mainly to higher accruals for accounts payable. This item also includes accruals for personnel holiday and flexitime entitlements.

## 5. CHANGES IN SHAREHOLDERS' EQUITY

The annual general meeting held on June 8, 2006, approved the payment of a dividend of CHF 14 per share on June 13, 2006, amounting to a total distribution of CHF 5.1 million (CHF 5.1 million in 2005).

## 6. NET TURNOVER

Compared to the income statement published in the printed semi-annual report for the first half of 2005, CHF 1.5 million has been transferred from net turnover to total income. This figure corresponds to the decline in inventories arising from manufacturing orders valued using the PoC method.

## 7. SEGMENTAL RESULTS

CHF 1000	Stamping and Forming Division		Injection Molding Division	
	1 <sup>st</sup> half of 2006	1 <sup>st</sup> half of 2005	1 <sup>st</sup> half of 2006	1 <sup>st</sup> half of 2005
Net turnover	67,439	62,247	63,760	63,888
Total income	68,757	66,849	64,768	65,108
Operating earnings before depreciation (EBITDA)	8,397	7,327	4,177	8,591
Operating earnings (EBIT)	3,152	886	-1,557	3,505
Capital expenditure	-1,613	-2,262	-6,201	-5,968
Employees	552	548	557	549

## 8. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1000	1 <sup>st</sup> half of 2006	1 <sup>st</sup> half of 2005
Interest income	260	375
Currency gains	445	276
Gains on derivative financial instruments	158	18
Other financial income	478	767
<b>Total financial income</b>	<b>1,341</b>	<b>1,436</b>
Interest expense	-1,389	-1,418
Currency losses	-499	-402
Unrealized translation differences	-332	437
Losses on derivative financial instruments	-33	-89
Other financial expenses	-469	-485
<b>Total financial expenses</b>	<b>-2,722</b>	<b>-1,957</b>
<b>Net financial income</b>	<b>-1,381</b>	<b>-521</b>

## 9. TAXES AND INTEREST ACTUALLY PAID

Taxes actually paid in the period under review amounted to -CHF 0.2 million (CHF 1.2 million in the first half of 2005); the refund of excess prepaid taxes resulted in an inflow of funds. There was an

outflow of CHF 1.4 million for interest on borrowings in the first half of 2006 (CHF 1.0 million in the first half of 2005).

## **BACKGROUND INFORMATION ON THE ADVAL TECH GROUP**

The Adval Tech Group is a leading supplier of tools, subassemblies, systems and volume components in the technology sectors of stamping and forming (metals) and injection molding (plastics). It is a supplier and value-adding partner for companies in selected industries where metal or plastics components are manufactured and used. The Stamping and Forming Division trades on the market under the name of Styner+Bienz, the Injection Molding Division under the names of AWM, Foboha and Teuscher. Their largest customers are in the automotive, information and communications technology, in the medical technology sector and in the packaging and electronics industries.

Adval Tech Holding Ltd  
Investor Relations  
CH-3172 Niederwangen  
Phone +41 31 980 84 44  
Fax +41 31 980 82 60  
[info.adv@advaltech.com](mailto:info.adv@advaltech.com)  
[www.advaltech.com](http://www.advaltech.com)



