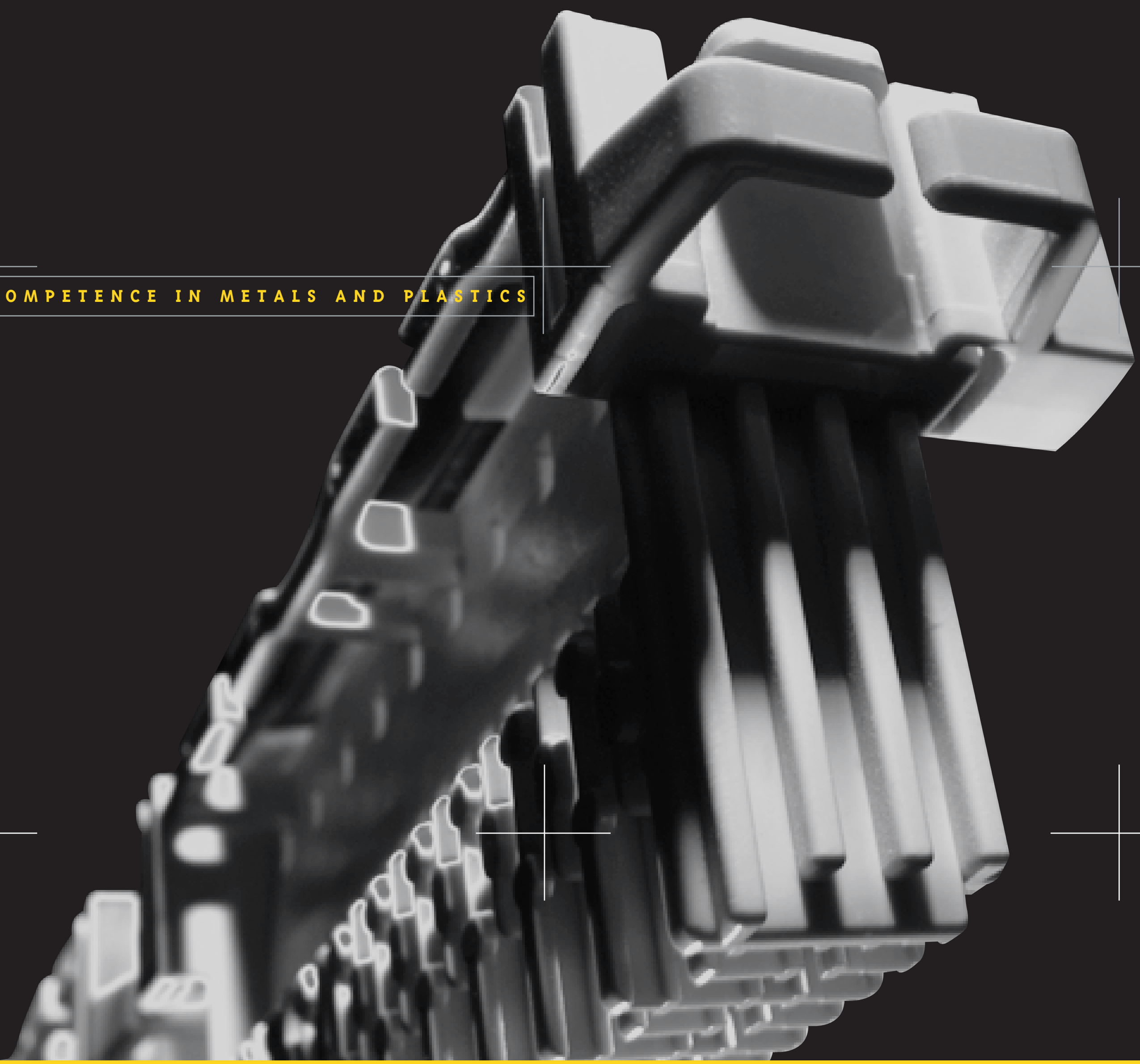
adval tech

THE ADVAL TECH GROUP IN THE FIRST HALF OF 2003

COMPETENCE IN METALS AND PLASTICS



SIGNIFICANT IMPROVEMENTS IN PERFORMANCE AND EARNINGS FIGURES

INJECTION MOLDING DIVISION: OPERATING EARNINGS UP 71%

STAMPING AND FORMING DIVISION: ENSURING COST FLEXIBILITY

DEAR SHAREHOLDERS,

In the first half of 2003 the Adval Tech Group posted significant improvements in all its performance and earnings figures, even though the recovery in economic activity that had been hoped for has not yet materialized.

Total income of CHF 121.4 million was 43% higher than the figure for the first half of 2002 (CHF 84.7 million). At the same time net profit rose by 58% to CHF 9.5 million and operating earnings (EBIT) by as much as 65% to CHF 13.5 million. The Adval Tech Group's EBIT margin thus increased to over 11%. Some three-quarters of the increase in total income was attributable to the Injection Molding Division's acquisition of German moldmaker Foboha. Taking the financing of this acquisition into consideration, Foboha accounted for some 15% of net profit. Other important factors contributing to these pleasing results are systematic cost control in all units and the resulting cost flexibility, as well as the positive market environment for AWM molds used in the manufacture of optical discs (ODs) and OD packaging.

Injection Molding Division: operating earnings up 71%

The acquisition of Foboha GmbH in Germany already had a very positive impact on results at the Injection Molding Division in the first few months following its completion. Integration is proceeding on schedule – the division has already benefited from initial synergies in production, marketing and purchasing operations. The division's operating earnings (EBIT) rose from CHF 7.6 million in the previous year to CHF 13.0 million (+71%), while total income increased from CHF 37.7 million to CHF 72.2 million (+92%). The EBIT margin is thus a respectable 18%.

The molds sector held its own admirably in a difficult economic environment. The trend in sales of AWM molds for optical data media – especially DVD – and their packaging exceeded expectations and made a substantial contribution to the excellent results. The reinforcement of our market position in the multi-component sector which we had sought through the purchase of Foboha also had a positive impact. The trend in sales of the relevant molds was promising – our expectations in this market were also exceeded in the first half of 2003. Capacity utilization was correspondingly healthy. Our broad-based activities in consumer goods packaging, medical technology and telecommunications made a major contribution to this pleasing performance.

In contrast to OD and multi-component molds, sales of the other product groups failed to come up to expectations due to the low level of demand. However, the division invested heavily in the development of new molds so that, for example, production of two-component sealing modules for the automobile industry can be commenced in the second half of 2003. These technologically very sophisticated modules are used to seal off cavities in the vehicle chassis and prevent disagreeable noise in the passenger compartment.

The volume components sector will benefit from these new products in the second half of the year, and especially in the medium and long term. Capacity utilization in the first six months was unsatisfactory due to extremely modest levels of demand in almost all markets. On the other hand, contract manufacturing of CD boxes, which is also part of the volume components sector, continues to operate at a very high level.

The division has systematically strengthened its organization and successfully completed a comprehensive IT project at AWM. The main objectives of these organizational moves include maintaining the service level at the very high standard required by the market while achieving the greatest possible flexibility.

Stamping and Forming Division: ensuring cost flexibility

The results posted by the Stamping and Forming Division fell short of expectations. The division recorded an increase in total income from CHF 47.3 million in the previous year to CHF 49.5 million (+5%), but operating earnings (EBIT) declined from CHF 0.95 million to CHF 0.74 million (–22%). While Styner+Bienz achieved satisfactory results in components and systems for the automobile industry, substantial setbacks were suffered in all other markets. The complementary segment of production systems was affected especially severely by the general economic situation; capital expenditure in this field is very subdued in all industrial sectors. The market situation in CNC subassemblies is also difficult. This market is still characterized by excess capacity and transfers of manufacturing operations to low-wage countries. By contrast, there will be a marked – seasonal – upswing in the cellphone shield business in the second half of the year.

Turnover at Styner+Bienz do Brasil actually increased by 45%, but due to the collapse in the exchange rate of the Brazilian Real sales revenues expressed in Swiss francs were nevertheless 11% lower than in the first half of 2002.

The deterioration in the division's margins is also attributable to massive increases in the cost of materials: Styner+Bienz had to accept steel price rises of more than 10%, which it was able to pass on to customers in only a few cases. The cost pressures arising from this very difficult overall market situation and the absence of economic recovery forced Styner+Bienz to cut personnel costs by making some reductions in the workforce. By the end of this year Styner+Bienz will have some 5% fewer employees than at the end of 2002. The resulting cost reductions will start to take effect in the fourth quarter of 2003, but their main impact will not become apparent until next year. With the completion of a comprehensive IT project, state-of-the-art management tools are now available to provide support for systematic cost management in particular.

Bosch, the world's second-largest systems supplier to the automotive industry, has added Styner+Bienz to the group of 30 preferred suppliers in the stamping and forming sector – out of a total of 480 subcontractors. In the relevant appraisal Styner+Bienz actually received the second-best rating of all suppliers with regard to technical potential. Styner+Bienz also succeeded in securing new contracts in its core automotive and telecom markets in the first six months. The higher capacity utilization of the Technology Center in the first half of the year is a further indication of Styner+Bienz's stronger market position in its core business segments.

A number of projects handled by the Technology Center have resulted in interesting product developments that will make significant contributions to the growth the division aspires to achieve. For example, Styner+Bienz has succeeded in developing a subassembly for automobile handbrakes (notched bend) that can be manufactured considerably more efficiently and economically without any change in function.

Outlook

Further developments are still difficult to assess. The overall picture is dominated by the subdued investment climate and short-term capacity utilization.

We expect the following developments in the second half of 2003:

- **Injection Molding Division:** The market for optical disc molds will be unable to sustain the exceptional level recorded in the first half. Sales of multi-component molds will continue to develop positively; we believe there will be signs of revival here and there in the other mold-making product groups. Sales of volume parts will also increase compared with the first half. Pressure on prices and margins is likely to have an impact on results.

- **Stamping and Forming Division:** In the volume parts manufacturing sector we expect performance to improve – due to seasonal effects (cellphone shields) and the launch of new products in our core business segments. The CNC subassemblies, tools and systems businesses remain difficult. The steps taken to improve productivity will have a positive impact on results in the final quarter of 2003. Pressure on prices and margins remains severe.

On this basis we foresee total income in the range of CHF 220 to 240 million and net profit of CHF 14 to 18 million in 2003. The Adval Tech Group will therefore achieve a pleasing improvement in results in a difficult economic environment.

According to SWISS GAAP FER12.
Niederwangen, August 2003

Herbert Thönen	**Jean-Claude Philipona**
Chairman of the Board	Chief Executive Officer

2003 SEMI-ANNUAL REPORT

INCOME STATEMENT

CHF 1000	1st half '03	1st half '02	Change	1st half '01
Total income	121 415	84 689	43%	96 751
Net turnover	108 004	89 964	20%	84 238
Cost of materials and services	38 541	22 317	73%	35 154
Personnel expenses	43 701	34 829	26%	35 343
Other operating expenses	16 443	11 369	45%	12 175
Depreciation	9 250	7 984	16%	6 341
Operating earnings (EBIT)	**13 480**	**8 190**	**65%**	**7 738**
Net profit after taxes	**9 475**	**6 011**	**58%**	**5 672**
Capital expenditure				
Capital expenditure	10 093	8 074	25%	15 917

BALANCE SHEET

CHF 1000	6/30/03	12/31/02	Change	12/31/01
Current assets	122 024	95 630	28%	98 224
Fixed assets	165 762	121 139	37%	130 351
Liabilities	164 223	101 343	62%	113 002
– of which short-term	56 716	34 147	66%	43 027
– of which long-term	107 507	67 196	60%	69 975
Shareholders' equity	123 563	115 426	7%	115 573
in % of total assets	42.9%	53.2%		50.6%
Total assets	**287 786**	**216 769**	**33%**	**228 575**

Employees*	**6/30/03**	**6/30/02**	**Change**	**6/30/01**
Group	**988**	**814**	**174**	**828**
Stamping and Forming Division	494	507	–13	535
Injection Molding Division	486	300	186	287

*Incl. apprentices

THE ADVAL TECH GROUP

Adding value for customers in technically challenging fields of activity: that's what Adval Tech stands for.
The Adval Tech Group is a leading supplier of tools, molds, 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 all industries where metal or plastics components are manufactured or used. With innovative and technically sophisticated approaches the Adval Tech Group enables its customers to make continuous improvements to their products and processes. The Stamping and Forming Division trades on the market under the name of Styner+Bienz, the Injection Molding Division under the names of AWM and Foboha. Their largest customers are in the automotive, communications technology, packaging and electronics industries. Adval Tech is continually setting new technological standards in these sectors.

THE NEXT ORDINARY SHAREHOLDERS' MEETING WILL BE HELD ON 17 JUNE 2004 IN BERNE.

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