

advaltech

A N N U A L R E P O R T

2016

ADDING VALUE THROUGH INNOVATION

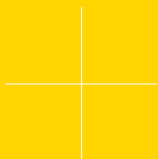
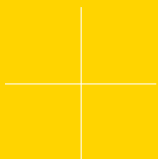
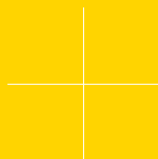
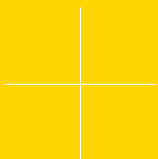
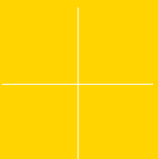
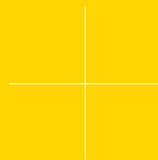
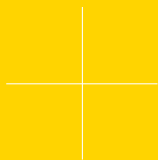
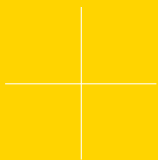




A photograph of three men in an office environment. The man in the center is wearing a grey hoodie and glasses, looking towards the left. The man on the right is wearing a green t-shirt and glasses, also looking left. The man on the left is seen from the back, wearing a light blue shirt and glasses. They appear to be looking at a computer screen. The background shows large windows with a view of a city.

We are Adval Tech

The people behind Adval Tech's success: the 1300-plus employees at 11 locations in Europe, Asia and America. Highly motivated and excellently trained, they work together successfully across national borders and in a range of disciplines – each and every day.



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KEY FIGURES OF THE ADVAL TECH GROUP

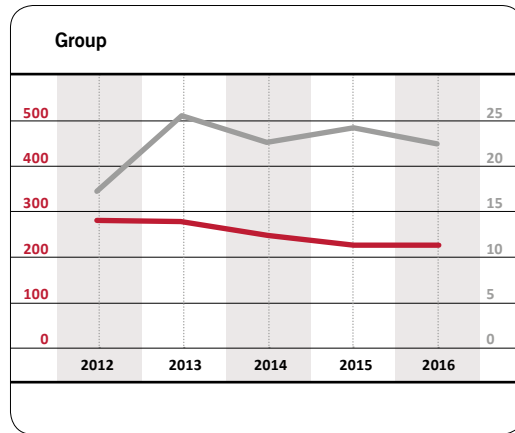
	2016	2015	2014	2013	2012
Total income (CHF millions)					
Group	227.1	224.3	247.0	278.8	279.6
Change in %	1.2	-9.2	-11.4	-0.3	-1.9
Per employee (CHF thousands)	150.4	144.9	148.2	139.7	115.7
Components segment	180.3	153.1	164.4	193.7	218.3
Molds segment ¹⁾	48.6	74.4	86.1	89.7	67.6
EBITDA (CHF millions)					
Operating earnings before depreciation	22.4	24.4	23.3	25.7	16.9
in % of total income	9.9	10.9	9.4	9.2	6.0
Components segment	14.1	12.3	10.2	11.7	10.5
Molds segment ¹⁾	6.4	9.7	11.0	12.1	4.1
EBIT (CHF millions)					
Operating earnings	8.3	9.8	8.9	6.5	-3.5
in % of total income	3.7	4.4	3.6	2.3	-1.3
Net result (CHF millions)					
Profit/loss for the year	39.7	0.6	1.9	-22.0	-15.4
in % of total income	17.5	0.3	0.8	-7.9	-5.5
Cash flow and capital expenditure (CHF millions)					
Cash flow from operations	15.0	18.7	9.0	14.5	7.5
Operative free cash flow	7.6	5.0	-0.3	4.7	1.1
Free cash flow	110.6	5.0	2.8	37.8	1.1
Capital expenditure	-7.6	-9.2	-7.0	-7.3	-9.9
Components segment	-6.7	-4.8	-4.3	-6.1	-8.3
Molds segment ¹⁾	-0.7	-3.6	-2.3	-0.7	-0.9
Balance sheet figures (CHF millions)					
Total assets	193.6	201.2	220.5	218.7	238.6
Shareholders' equity	133.2	64.6	68.5	64.3	53.8
in % of total assets	68.8	32.1	31.1	29.4	22.6
Employees					
on December 31	1,341	1,482	1,603	1,720	2,239
Components segment	1,326	1,096	1,227	1,347	1,876
Molds segment	0	371	361	357	345
Market capitalization (CHF millions)					
on December 31	171.6	115.3	131.0	127.8	116.4
Selected key figures per share					
Earnings (CHF)	54.45	0.82	2.59	-30.15	-21.06
Dividend (CHF)	41.00 ²⁾	0.00	0.00	0.00	0.00
Payout ratio %	75.31	n.a.	n.a.	n.a.	n.a.
P/E ratio on December 31	17.45	n.a.	n.a.	n.a.	n.a.

According to Swiss GAAP FER

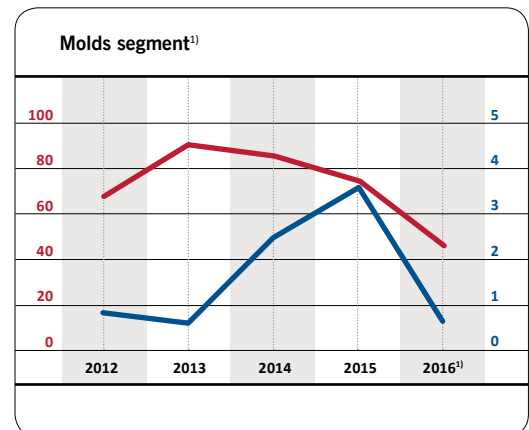
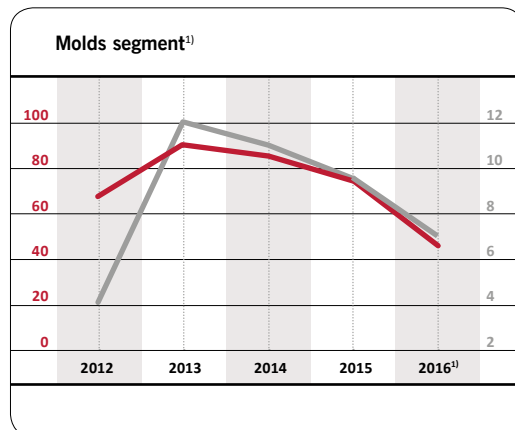
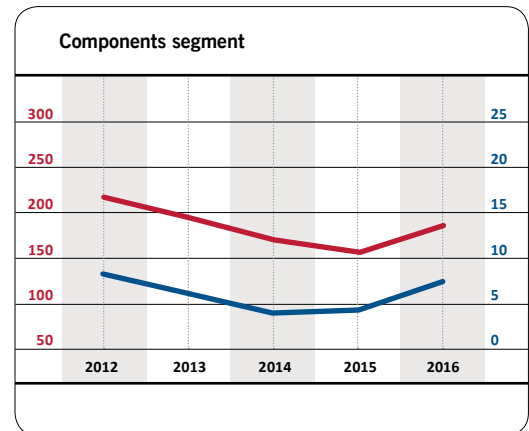
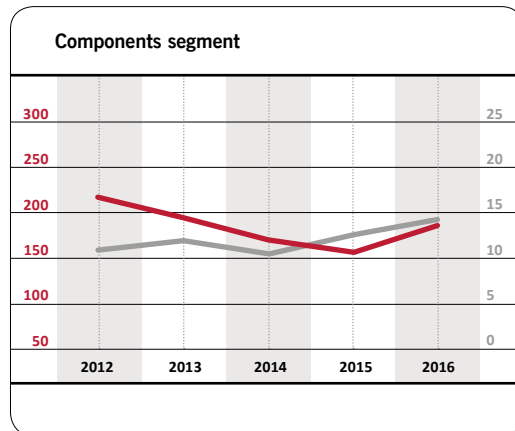
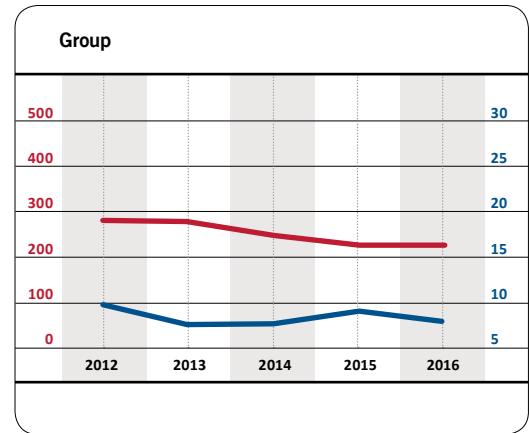
1) Consolidated for eight months

2) Proposed by the Board of Directors

TOTAL INCOME AND EBITDA



TOTAL INCOME AND CAPITAL EXPENDITURE



■ Total income in CHF millions
■ EBITDA in CHF millions

■ Total income in CHF millions
■ Capital expenditure in CHF millions

1) Consolidated for eight months

SHARE STATISTICS AND PRICE TRENDS

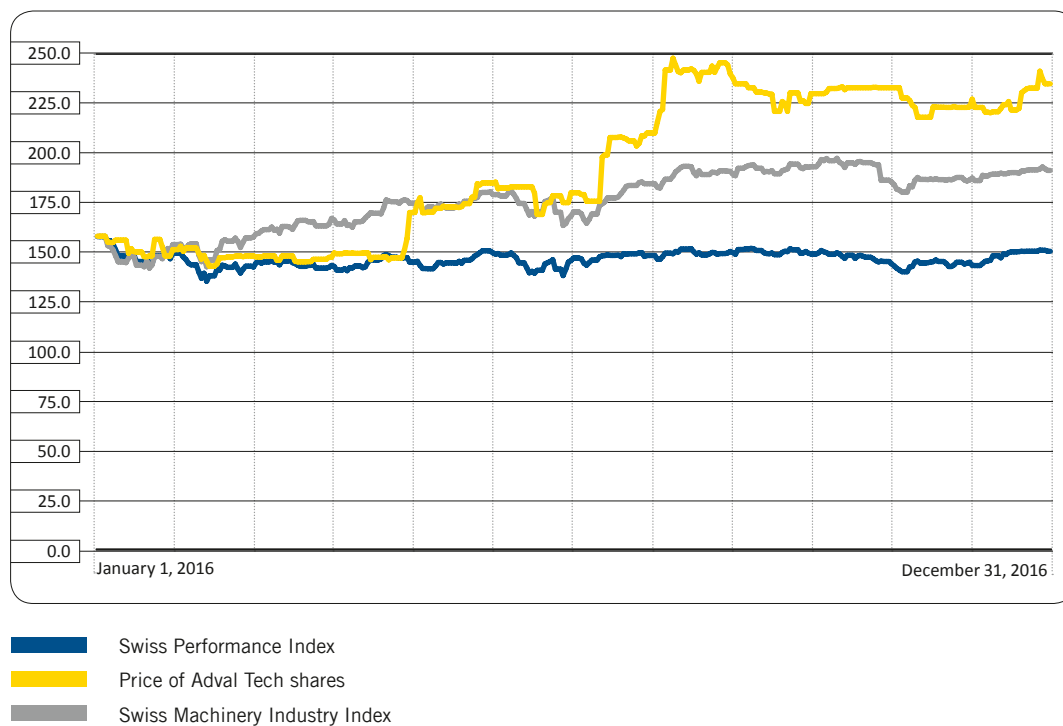
	2016	2015
Registered shares	730,000	730,000
EBIT per share (CHF)	11.41	13.47
Profit per share (CHF)	54.45	0.82
Shareholders' equity per share (CHF)	182.51	88.51
Dividend per share (CHF)	41.00	0.00
Payout ratio %	75.31	n.a.
P/E ratio on December 31	17.45	n.a.
Market prices (CHF)		
Low (02/12/16, 12/17/15)	142.80	147.00
High (08/08/16, 04/09/15)	248.00	188.00
December 31	235.00	158.00
Market capitalization (CHF millions)		
Low (02/12/16, 12/17/15)	104.24	107.31
High (08/08/16, 04/09/15)	181.04	137.24
December 31	171.55	115.34

Share statistics

Swiss security no. 896 792

Ticker symbols: ADVN (SIX Swiss Exchange); ADVN SW (Bloomberg)

Price trends (CHF)



DEAR SHAREHOLDERS



WILLY MICHEL

CHAIRMAN OF THE BOARD OF DIRECTORS

RENÉ ROTHEN

CHIEF EXECUTIVE OFFICER

In 2016 we achieved some important milestones in implementing the focusing strategy for the Adval Tech Group: on April 1, 2016, the group acquired Fischer IMF in Endingen am Kaiserstuhl, Germany, extending its product portfolio optimally in the area of metal and light metal. This has strengthened our market position and greatly improved our access to OEM partners in the automotive industry. This was followed on August 31, 2016, by the sale of our Molds segment (FOBOHA) to Barnes Group Inc., United States. As a result of this divestment, our group is now debt-free, paving the way for systematic continuation of our focusing strategy. Adval Tech aims to make even better use than in the past of the attractive growth opportunities in the global automotive market and in other markets for related applications.

In view of the significant changes in our scope of consolidation during 2016, comparison of our key data with the previous year is restricted. The net profit in 2016 was CHF 39.7 million (2015: CHF 0.6 million). Although this was mainly due to the sale of the Molds segment, leaving aside this divestment, Adval Tech's results for the second half confirmed the positive net profit trend that was visible in the half-year figures.

The savings and efficiency improvement measures introduced in 2015 following the massive appreciation of the Swiss franc also had a positive effect. However, these measures alone are not sufficient to ensure our successful survival in the globalized market in the medium to long term. In December

2016 the Board of Directors therefore decided to close the site in Uetendorf, Switzerland by the fourth quarter of 2018. The Group will thus optimize its locations, make better use of synergies and continue to increase its efficiency. Adval Tech plans to offer the 25 or so employees who currently work in Uetendorf a new position within the Group, either in Niederwangen (Switzerland) or in Endingen (Germany).

The Adval Tech Group thanks its customers, suppliers and business partners for the good working relationship as well as its employees for their hard work.

We would also like to thank you, our esteemed shareholders. With your loyalty and trust, you are laying the foundation for a successful future for Adval Tech.

Niederwangen, April 2017

Willy Michel, Chairman of the Board of Directors

René Rothen, Chief Executive Officer

MANAGEMENT REPORT

SYSTEMATIC IMPLEMENTATION OF THE FOCUSING STRATEGY

The Adval Tech Group continued the systematic implementation of its focusing strategy in 2016 and strengthened its position as a global supplier of components and subassemblies, primarily for the automotive industry. In future, Adval Tech aims to make even better use than in the past of the attractive opportunities for growth in the automotive market and related applications for other markets.

In the Adval Tech Group, 2016 was dominated by three main events: firstly, the successful start-up of the production facility in Mexico, which was audited and accepted by the customer, Audi, in April 2016; secondly, the acquisition of Fischer IMF in Endingen, Germany, and thirdly the divestment of the Molds segment (FOBOHA companies). As a consequence of this divestment, the Molds segment was disbanded.

In view of the significant changes in our scope of consolidation during 2016, comparison of our key data with the previous year is restricted. The acquisition of Fischer IMF was consolidated at Group level as of April 2016, i.e. for nine months. The Molds segment (FOBOHA companies) was consolidated until the end of August 2016, i.e. for eight months. On this basis, total income of the Adval Tech Group was CHF 227.1 million (2015: CHF 224.3 million; +1.2%). EBITDA was CHF 22.4 million (2015: CHF 24.4 million; -8.2%) and EBIT was CHF 8.3 million (2015: CHF 9.8 million; -15.3%), giving an EBIT margin of 3.7% (2015: 4.4%). The net profit in 2016 was CHF 39.7 million (2015: CHF 0.6 million). Most of this was attributable to the sale of the Molds segment. Irrespective of this, the half-year results had already indicated a good net profit trend.

Adval Tech expects the market environment to remain equally challenging in 2017. The group's Swiss companies are still exposed to massive pressure on margins, and the strong Swiss franc remains a major challenge.

BUSINESS PERFORMANCE OF THE GROUP

In a year dominated by significant strategic changes, the Adval Tech Group performed well overall in its day-to-day business and is able to report some very encouraging successes on the market. Business was also positively influenced by the extensive programmes to raise efficiency. In addition, in the reporting period the Adval Tech Group invested considerable amounts in infrastructure expansion at several sites.

Start-up of the production facility in Querétaro, Mexico

Adval Tech's new production site in Querétaro was successfully audited and accepted by its customer, Audi, in April 2016. In line with its strategy of global production of plastic components in productions runs of millions of units, Adval Tech intends to use this new site for other customers as well. In 2016 Adval Tech secured initial orders for the new site in Mexico from a major first-tier customer. Production is scheduled to start at the end of 2017.

Acquisition of Fischer IMF

The strategically important acquisition of Fischer IMF in Germany has further strengthened Adval Tech's position in the automotive industry and secured access to new markets. Fischer IMF develops, engineers and produces blanking tools with a focus on manufacturing of metal and light metal components along with assembly of components. Fischer IMF's customers include major German auto manufacturers and their direct suppliers.

Sale of the Molds segment (FOBOHA)

The Barnes Group Inc. (USA) took over the Molds segment (FOBOHA companies in Europe, the USA and Asia) on September 1, 2016. The new owner has integrated the Molds segment into its Molding Solutions (MS) strategic business unit.

China

The Adval Tech Group completed the restructuring of its location in China in 2016. Production of advanced plastic components for OEMs (car manufacturers) and first-tier suppliers is now concentrated at one site in Suzhou. The second production building, where Adval Tech mainly manufactured plastic parts for non-automotive applications, was duly vacated on schedule at the end of December 2016. Production of some plastic components for customers outside the automotive industry has been relocated to Adval Tech's site in Malaysia.

Market successes

Adval Tech acquired several large orders in 2016, which will ensure capacity utilization at individual sites.

The negotiations with a major first-tier customer on global production of millions of units of plastic components mentioned in the 2015 annual report were driven forward successfully. Specifically, this relates to the manufacture of a seatbelt buckle using an innovative production process. In 2016 Adval Tech was awarded the order for the Mexico site, with production due to start at the end of 2017. At the start of 2017 it received the nomination for production in China, where the start of production is planned for 2018.

Another successful order acquired for plastic components in the year under review was for air flow systems for another Audi model. Series production is scheduled to start in Hungary in late 2017/early 2018 and should run for some years.

Since Adval Tech was nominated by a first-tier customer for a second production line for metal steering systems, the Endingen site in Germany brought a second laser welding line into service at the end of 2016. Production commenced in January 2017.

Following several difficult years in Brazil, the Adval Tech Group has gained new orders from well-known first-tier customers for innovative seat structures and from OEMs for demanding structural components. Production for both orders is scheduled to start in 2017.

Adval Tech also gained two further major projects for the automated manufacture of automotive trims. The Endingen site will be developing and manufacturing the tools for series production and will also be responsible for series production of the components from 2018 until 2023.

New Group structure

Sale of the Molds segment resulted in reorganization of the group and disbanding of the segments (see page 36). With this new group structure and a clear focus on the Components segment, Adval Tech is well-positioned to generate sustainable value into the future and to take advantage of the attractive growth opportunities in the global automotive market along with related applications in other markets.

Programs to improve efficiency

When the Swiss National Bank abandoned the exchange rate floor for the euro in 2015, Adval Tech responded immediately with measures to cut costs and raise efficiency. The company continued these measures in 2016: sourcing is undertaken in euros wherever possible and new potential to improve efficiency across all processes is constantly being identified. The aim is to steadily optimize operating costs.

Core investments and infrastructure projects

To ensure it is prepared for the future, Adval Tech is investing significantly in extending the infrastructure at several of its sites.

Presses and machinery

In order to handle additional orders, in 2016 Adval Tech invested CHF 6.0 million (out of the total investment in property, plant and equipment of CHF 7.6 million) in new presses in Brazil and Germany, additional injection moulding machines in Mexico, and expansion of the necessary infrastructure.

New construction in Szekszárd, Hungary

To achieve clearer attribution and better transparency, Adval Tech will split its subsidiary Adval Tech (Hungary) Kft. into two legally separate companies in the first quarter of 2017. The plastics segment will continue under the current name, while the metal segment will be renamed Adval Tech (Hungary) Plant 2 Kft. In addition, Adval Tech will consolidate the production of metal components in Hungary into a new production building with some 5000 square metres of space. The new building, in the immediate vicinity of the plastic components production plant, should be completed in the third quarter of 2017.

New construction in Endingen, Germany

Adval Tech is also building a second production facility in Endingen. Some 10,000 square metres of additional production space are being constructed, principally with the aim of transferring the component production work currently performed in Sasbach to Endingen. Further land remains available in Endingen for Adval Tech's future growth.

DEVELOPMENT OF KEY FIGURES

The key figures for the Adval Tech Group for 2016 are pleasing and are an important sign that the Group's focusing strategy is moving in a successful direction. This is particularly encouraging given that the start-up costs for the new company in Mexico, the flat start of series production of plastic components for the Audi Q5 model variants, the cost of integrating Fischer IMF, and the slump in sales in Thailand and Brazil weighed heavily on the group's profitability in the reporting period. The Molds segment, which previously posted high sales, is only included in the group's results for the first eight months.

Total income

In 2016, the Adval Tech Group generated total income of CHF 227.1 million (2015: CHF 224.3 million; +1.2%). The consolidation of Fischer IMF at the beginning of April 2016 added approximately CHF 32 million to the total income of the group. The Molds segment generated total income of CHF 48.6 million until its deconsolidation at the end of August 2016. Net of exchange rate effects, the Adval Tech Group's total income grew by CHF 0.4 million (+0.2%) in 2016.

Total income includes revenues from the sale of tools for the production of components from the OEM business in Mexico and Hungary totalling approximately CHF 12 million. Contracting economic output in some countries, especially Thailand and Brazil, had a negative impact on the Adval Tech Group's total income in the first half of the year, as did the continued strength of the Swiss franc and the disadvantages in the acquisition of new orders that it has entailed.

Profitability

EBITDA was CHF 22.4 million in the reporting period, including Fischer IMF, which was consolidated for nine months and the Molds segment, which was consolidated for eight months (2015: CHF 24.4 million).

The EBITDA margin was 9.9% (2015: 10.9%). EBIT was CHF 8.3 million (2015: CHF 9.8 million), giving an EBIT margin of 3.7% (2015: 4.4%). Changes in exchange rates did not have a significant influence on EBITDA and EBIT.

Extraordinary result

The extraordinary result of CHF 34.7 million comprises primarily the book gain from the sale of the Molds segment (FOBOHA companies) and costs for the sale of the Molds segment and the acquisition of Fischer IMF GmbH & Co. KG in Germany. In addition, estimated costs for the relocation of production sites and site optimizations in Hungary, China, Thailand and Switzerland, which have been decided and in some cases already initiated, were recognized as an extraordinary expense. Details can be found on page 101 of this annual report.

Net result

The net profit was CHF 39.7 million in 2016 (2015: CHF 0.6 million). Pleasingly, at year end Adval Tech was able to confirm the positive trend reported for the first half of 2016 – even without the profit from the sale of the Molds segment. The measures initiated in response to the strong appreciation of the Swiss franc in 2015 had a positive effect in both the first and second half of 2016.

Investments and net current assets

The Adval Tech Group invested CHF 7.6 million in property, plant and equipment in 2016 (2015: CHF 9.2 million), primarily for the components business and the associated new orders. Cash flow from operations was CHF 15.0 million in 2016 (2015: CHF 18.7 million). The operating free cash flow improved from CHF 5.0 million in the previous year to CHF 7.6 million in 2016.

At the end of December 2016, net current assets (trade accounts receivable, inventories and trade accounts payable) stood at CHF 34.9 million (December 31, 2015: CHF 46.0 million). As a percentage of total income, net working capital decreased from 20.6% at the end of 2015 to 19.3% at the end of December 2016. The decline in the absolute value was attributable to the sale of the Molds segment.

Equity ratio and bank loans

The Adval Tech Group' equity ratio improved from 32.1% to 68.8%. As per end-December 2016, the group had no debt.

Share price

The key figures per share and the share price performance are shown on page 9 of this annual report.

Payment from legal capital reserves

In view of the extraordinary income arising from the sale of the Molds segment, the Board of Directors will propose payment of CHF 41 per share from legal capital reserves at the 2017 ordinary Annual General Meeting.

SEGMENT RESULTS

Components

In the Components segment (metal and plastic components), the total income of CHF 180.3 million was approximately CHF 27 million above the year-back figure of CHF 153.1 million, a rise of 17.8%. Net of exchange rate effects, the increase was around CHF 25 million, which was roughly 16%. The acquisition of

Fischer IMF, consolidated with the Adval Tech Group since April 2016, contributed some CHF 32 million to total income for the Components segment. Excluding Fischer IMF, the approximately CHF 4.8 million drop in total income was due to the difficult market situation in Thailand and closure of a facility in Suzhou (China).

Total income for the Components segment is made up of the following elements: net sales from components, net sales from the associated tools for the production of components, and other revenues (e.g. revenue from the sale of scrap).

The EBITDA of CHF 14.1 million in 2016 includes the consolidation of Fischer IMF for nine months (2015: CHF 12.3 million) and gives an EBITDA margin of 7.8%. Net of exchange rate effects the EBITDA margin was 7.5%.

Molds

Adval Tech consolidated the Molds segment (FOBOHA companies) until August 31, 2016. This segment posted total income of CHF 48.6 million in the first eight months of 2016 (full year 2015: CHF 74.4 million). Segment EBITDA was CHF 6.4 million in the first eight months of 2016 (full year 2015: CHF 9.7 million). The EBITDA margin was 13.2% in the first eight months of 2016.

CUSTOMER AND EMPLOYEE SATISFACTION

Customer satisfaction plays an important role in the future development of the Adval Tech Group. The group checks strict observance of the agreed quantities, deadlines and quality for all customers. Further, Adval Tech ensures customer satisfaction by making regular visits to customers, identifying improvement potential and proposing possible solutions.

Employee satisfaction is also measured regularly at Adval Tech. In the autumn of 2016, for example, the group conducted a standardized employee survey at all locations. The results were assessed and analysed for each location to identify areas with potential for improvement. Each company developed a corresponding implementation and action plan.

EMPLOYEES

Employees and their know-how are the Adval Tech Group's most important resource. The group therefore has high consideration of its staff. It fosters employees and offers them attractive career opportunities. Adval Tech has defined the following staff management goals: first, hire the right people; second, support and develop the right staff members; third, hold onto the best employees for the long term; fourth, recruit qualified specialists and managers; fifth, be an attractive and competitive employer; and sixth, use these commitments to foster a positive corporate image. To achieve these goals, Adval Tech has developed a human resources philosophy represented by the motto "together to the top." Under this philosophy, staff are expected to engage in continual development, and Adval Tech invests proactively in training and education to this end. The Group also encourages work abroad. Through intensive exchanges among our locations in different parts of the world, our employees acquire technical expertise, improved language skills and intercultural proficiency. Adval Tech also cultivates a relaxed team culture, not only within the corporate group, but also in project teams together with global customers. And Adval Tech fosters the next generation, helping young talent ripen into seasoned professionals.

The headcount declined from 1,482 (year-end 2015) to 1,341 (year-end 2016). The principal changes:

Change	Number of employees (full-time equivalents)
Sale of the Molds segment (Germany)	-204
Sale of the Molds segment (Switzerland)	-60
Acquisition of Fischer IMF (Germany)	+336
Sale of the Molds segment and shutdown of the second facility in Suzhou (China)	-199
Miscellaneous	-14
Total	-141

RISK MANAGEMENT

Through its extensive risk management, Adval Tech ensures identification and evaluation of the risks to which the group is exposed. In addition, risk management ensures efficient use of appropriate oversight and risk management measures.

Adval Tech's central risk evaluation system covers both strategic and operational risks. All the risks identified are evaluated (in terms of the probability that they will materialize and the extent of the potential damage) and recorded in a risk inventory. On the basis of this risk inventory, the Board of Directors examines, at least once a year, whether adequate steps are taken to address and minimize the risks. Ongoing monitoring of the risk inventory is assigned to the Risk Management Officer, in other words, the CFO, who discusses the issues internally with the Group Executive Management.

Principal risks of the Adval Tech Group

Economic downturn

The biggest risks to Adval Tech include the risk of an economic downturn - and of being unable to respond flexibly enough. Adval Tech counters this through appropriate strategic and financial safeguards and by raising the proportion of variable costs.

Critical mass

To meet the high requirements and expectations of our customers at all times, and to limit dependence on individual customers, the Adval Tech Group needs a certain size and a growth strategy aligned to this.

Technological change

The rapid pace of technological change in the automotive industry is a major challenge for Adval Tech. The trends to lighter-weight cars, new drive technologies (electric cars) and a smaller number of suppliers need to be monitored closely and integrated into both strategic and operational considerations. The changes give rise to market opportunities, which need to be identified and exploited.

Exchange rate risks at Swiss locations

The strength of the Swiss franc is still confronting the Swiss branches with major challenges what need to be given sufficient attention.

More detailed information on financial risk management can be found on page 77 of this annual report.

BRAND MANAGEMENT

In future the group will operate with a single brand:

The logo for Adval Tech, featuring the word "adval" in a bold, lowercase, yellow sans-serif font, followed by the word "tech" in a bold, lowercase, grey sans-serif font.

This one-brand strategy positions the group clearly, enhances recognition and strengthens internal identification. With the systematic implementation of its focusing strategy and its new look, the Adval Tech Group is well placed to create sustainable added value in the future too.

OUTLOOK

Adval Tech expects the market environment to remain equally challenging in 2017. The group's Swiss companies are still exposed to massive pressure on margins, and the strong Swiss franc remains a major challenge. This has made it more difficult to win new orders for production in Switzerland.

Proximity to customers and efficiency are vital in order to succeed in the global marketplace. In December 2016 the Board of Directors therefore decided to close the site in Uetendorf, Switzerland by the fourth quarter of 2018. The Group will thus optimize its locations, make better use of synergies and continue to increase its efficiency. Adval Tech plans to offer the 25 or so employees who currently work in Uetendorf a new position within the Group, either in Niederwangen (Switzerland) or in Endingen (Germany).

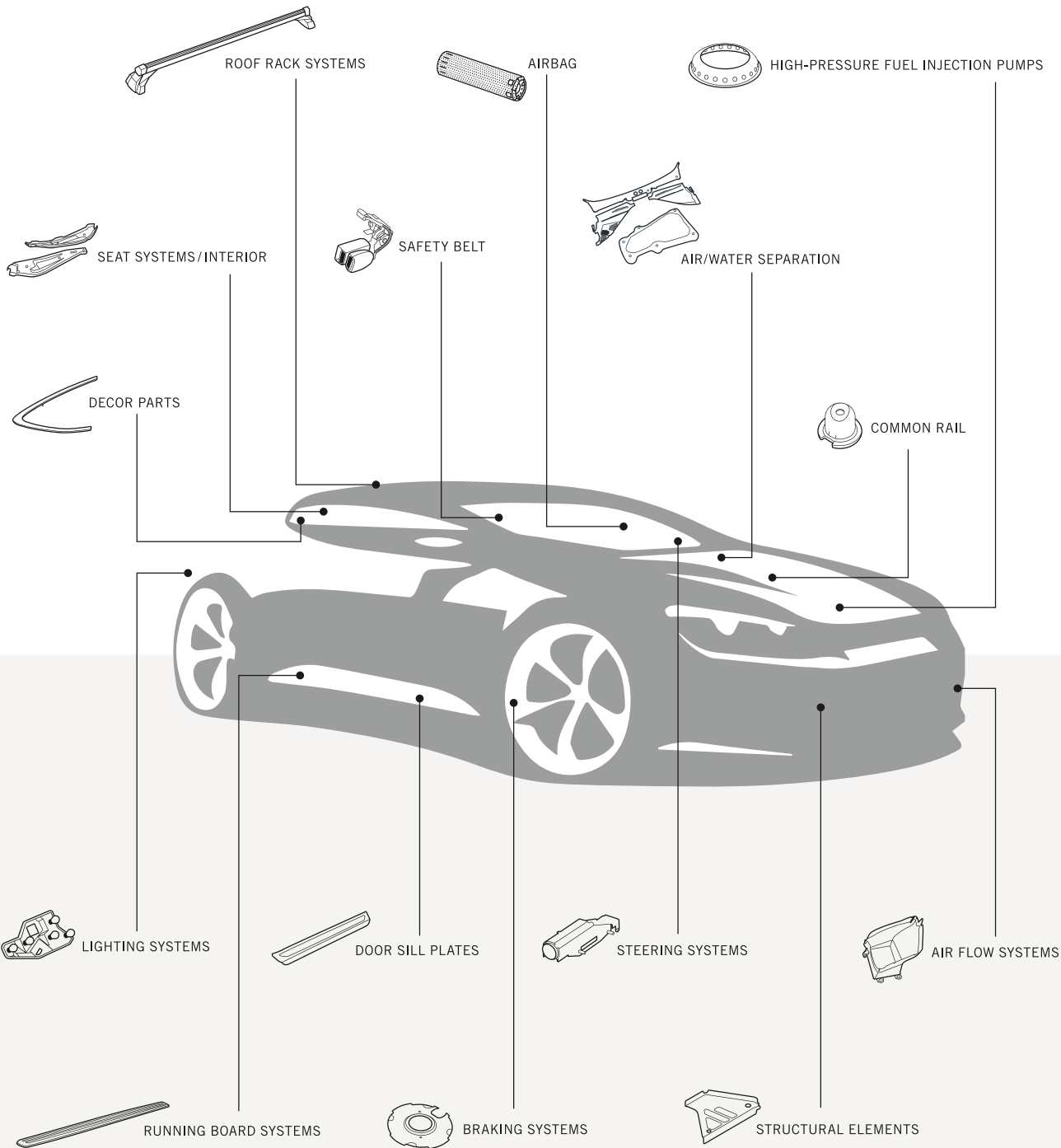
As a global industrial partner for top-quality, advanced metal and plastic components, general global economic trends and the present uncertainty in various areas have a fairly direct impact on Adval Tech.

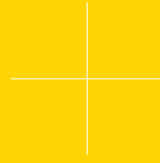
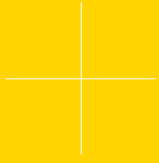
The situation in the Adval Tech Group's main market, the automotive industry, is very heterogeneous at present and it is difficult to predict how it will develop. While Adval Tech can participate in record volume sales of certain premium brands, greater restraint is currently visible in the tier one business. Here, Adval Tech's presence mainly comprises safety components, which are used in a wide range of models.

2017 will be dominated by the various relocations at Adval Tech and by the complete integration of Fischer IMF. In the past, the Molds segment, which is no longer part of the group, generated around one third of total income and around 40% of the operating result.

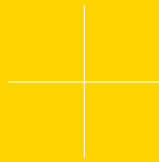
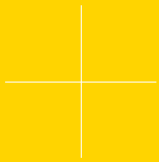
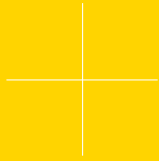
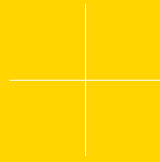
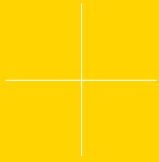
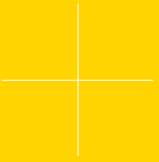
Following divestment of the Molds segment, concentration on one production site in Switzerland for metal components and closure of a facility in China, in 2017 the group's market portfolio, including the new site in Endingen, will be slightly smaller than in 2016. This means that the group needs to raise productivity to offset some of its fixed costs.

COMPONENTS FOR THE AUTOMOTIVE INDUSTRY





ONE-STOP-SHOP ADVAL TECH



SUCCESSFUL MAJOR PROJECT FOR A LEADING AUTO MANUFACTURER

The Adval Tech site in Endingen is currently working on a major order. Fischer IMF is manufacturing more than 60 complex components and subassemblies for one of the top premium auto manufacturers – naturally using its own tools. Adval Tech offers a one-stop shop solution: from realization of the components, development and construction of the tools through production to automated assembly. The process uses a production robot that works on an assembly line developed specifically for this project. That's a success story.

When the contracts for this order were signed at the end of 2014, it was clear to everyone that this would be a huge project. One of the leading premium auto manufacturers ordered more than 60 components and subassemblies from what is now Adval Tech's facility in southern Germany, along with construction of the tools and final assembly. The various aluminium and steel components will all be used in the same model, mainly in the body-work. The customer plans to manufacture around 35,000 vehicles a year. That will ensure good capacity utilization at the Endingen site in the coming years.

Series production has started

Series production started in mid-2016. The components are manufactured in Endingen and nearby Sasbach. As soon as the extension of the Endingen facility is completed, production will be combined at this site. However, Adval Tech would not be Adval Tech if the site merely produced components. The company also developed and built its own high-quality press tool for each component.

Everything from a single source

Adval Tech covers the entire supply chain for this major order: from product realization and tooling through production to final assembly, including subsequent quality control and just-in-time delivery. The customer benefits from this one-stop shop, which gives it a single contact offering everything from a single source. And Adval Tech generates the entire added value in-house thanks to its broad-based offering.

Completely automated final assembly

Six of the more than 60 components and subassemblies are particularly challenging for the Endingen site. Since

manual assembly would be far too time-consuming, Endingen developed a new robotic cell especially for this project. The fully automated robotic system bonds individual components and then joins them together with self-piercing rivets. This high-tech machine allows fully automated final assembly with the highest precision and cost-efficiency. Both the idea and the design of this efficient manufacturing robot were developed in-house. The know-how gained will be of great value to Adval Tech in future projects.

Enormous commitment

In view of the size of this project, all 340 employees at this Adval Tech site are involved, from precision engineering apprentices through design engineers and IT specialists to quality control staff. "Commitment that goes beyond the norm is quite natural for the team," explains Christian Krauss, General Manager of Adval Tech in Endingen, "because there is tremendous enthusiasm about the project and the technology".

Follow-on orders secured

The customer has enormous confidence in Adval Tech. This premium auto producer values Adval Tech as a reliable partner and one-stop shop with expertise in engineering, series production and automated end-assembly. In view of this good cooperation, the customer has actively recommended Adval Tech to first-tier suppliers. In addition, Adval Tech's good work has already led to one concrete follow-on order: the company has received an order from another part of the same automotive group for a comparable portfolio of components. That means the next chapter in this success story will soon be starting.



From Endingen into the world

By acquiring Fischer IMF in April 2016, Adval Tech gained direct access to the production of metal components and subassemblies for further leading automakers. As a well-established high-end toolmaker and component manufacturer, Fischer is an ideal complement, enabling the group to offer an even more comprehensive package to customers. Components manufactured in Endingen are used in premium automobiles all over the world.

GERMANY

● Endingen

Andreas Mayer
Sales Manager & Company
Executive Management

Wilfried Pfennig
Project Management

Eckhard Schneider
Tool Development
Manager

Corina Meyer
HR Manager

Rudolf Grossmann
Head Operation Tools &
Company Executive
Management

Giuseppe Lanzillotti
Parts Production Manager

Sven Leon
Parts Production
Coordination Manager

ONE-STOP-SHOP



Dieter Zeiser
Parts Production
Department Assembly

Filipe Jesus Clemente
Quality Assurance

Achim Ley
Machine Operator

Susanne Misle-Duerr
Order Processing

Christian Krauss
General Manager

SHORT INTERVIEW WITH CHRISTIAN KRAUSS

How did you manage to secure this major order for Endingen?

We were able to convince the customer thanks to our holistic approach: product realization, toolmaking, component manufacture and automated assembly: a one stop-shop model offering everything from a single source. Besides, our flat hierarchies give us the necessary flexibility to develop solutions.

How important is the project for the Endingen site?

The volume and the complexity of the components make it a big challenge for us. Every employee in our value chain is aware of the project and proud to be part of it. Through this major project we have acquired a lot of expertise, both in project management and in handling new technologies, including automation of various processes. Thanks to this experience we will be able to differentiate ourselves more clearly from our competitors in future. Technology and credibility are the USPs of the future.

What are the plans for Endingen? What are your goals for this site?

The Endingen site gives Adval Tech direct access to the German automotive market. Fischer had gained a very good reputation in toolmaking and the manufacture of complex structural components, trims and subassemblies, even in small batch sizes. We want to use that good reputation to broaden our market access, by combining the strengths of a family business with the opportunities of a group of companies with a global presence. The new 10,000-square-metre production building, which is expected to be ready in September 2017, will give us urgently needed production space. In addition, transferring production from Sasbach to Endingen will combine two sites to form an even more effective unit. We are looking forward to that.

*Christian Krauss, General Manager
of Adval Tech in Endingen*





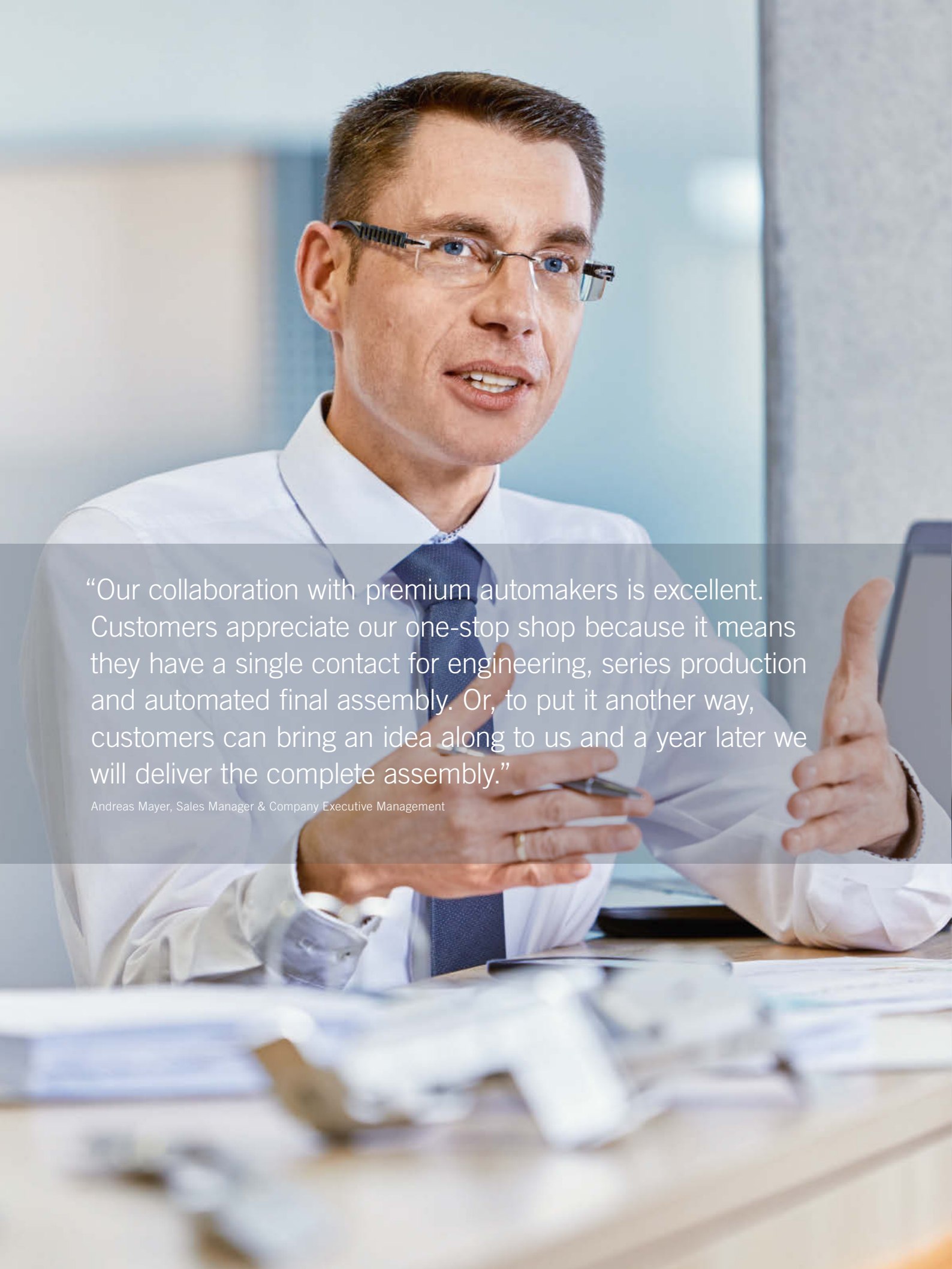
“It was not easy to find enough skilled workers for this major order. We therefore invested in specific training for our own people. Some of our employees have made tremendous strides in development and gained valuable know-how. It is a real pleasure to see how a project like this welds a highly motivated team even more closely together.”

Corina Meyer, HR Manager



“Some of the components were a real challenge for us. Within a short time we managed to develop new solutions and integrate new technologies into the production process. It was a really great moment when the first components were within the specified tolerances.”

Wilfried Pfennig, Project Management



“Our collaboration with premium automakers is excellent. Customers appreciate our one-stop shop because it means they have a single contact for engineering, series production and automated final assembly. Or, to put it another way, customers can bring an idea along to us and a year later we will deliver the complete assembly.”

Andreas Mayer, Sales Manager & Company Executive Management



“Even at 52, I enjoy learning new things. My motto is: if it’s doable, it’s doable. So I really got involved in the project. Setting up the new robotics line – we call it Fred – taught me a lot. I have trained two colleagues to use it. The three of us now produce various assemblies on the line around the clock. I really enjoy my work.”

Achim Ley, Machine Operator

A middle-aged man with white hair and glasses, wearing a light blue button-down shirt, is smiling at the camera. He is holding a large, curved, metallic industrial part with both hands. In the foreground, there is a complex metal assembly with various bolts and components. The background is a blurred industrial setting with blue and white structures.

“We never had to develop and produce so many different tools in such a short time. That was really exciting and challenging. I am proud of the whole crew; proud that together we managed it. Over the past year we have learnt a lot, not just about technology, but also about managing big projects.”

Rudolf Grossmann, Head Operation Tools & Company Executive Management

METAL COMPONENTS

We use the latest simulation techniques to optimize existing forming processes and evaluate the feasibility of newly developed processes.

We build our own machinery and tools, and guarantee our customers stable and efficient manufacturing processes.

We are leaders in stamping and forming, in both progressive composite and transfer technology. By using state-of-the-art tools we guarantee our customers exceptionally short development lead times.

We provide a full range of follow-up processes, from laser drilling, laser welding and other connection technology through to high-spec cleaning. We work in flexible processes, organized in line with the latest criteria. In one-piece-flow or value-stream-optimized assembly lines, the flow principle is used to create complex subassemblies step by step.

To ensure top product quality at all times, we employ state-of-the-art testing and measuring systems along with a range of automated testing equipment. In cleanliness testing we use both gravimetric and particle analysis.



Consultancy and product development



Simulation and prototype engineering



Tool development and production



Component production



Assembly



Measuring and testing

PLASTIC COMPONENTS

We use molds to create prototypes for functional validation, then test them either internally, through an external partner or on the customer's premises, as required. When designing molds, we first conduct Moldflow simulations or, if necessary, extended simulations such as FEM or flow calculations and acoustic tests.

When developing and constructing our molds, we work with strategic partners worldwide. Our APQP (Advanced Product Quality Planning) team performs product and process validation for the stable, high-quality mass production of components, subassemblies and systems, applying statistical fault prevention methods.

Our equipment consists largely of multi-component injection-molding machinery with clamping forces ranging from 800 to 130,000 kN.

To produce subassemblies or systems in large volumes from individual components, we employ either fully automated assembly systems or semi-automated assembly aids with built-in quality control, as required. This ensures our production processes can be replicated worldwide.

We use state-of-the-art measuring and testing equipment in all our production plants worldwide to ensure top product quality, everywhere and at all times. Depending on the project, we employ functional gages, attribute gages or automated testing equipment.

MISSION STATEMENT, STRATEGY AND VALUES

The Adval Tech Group is a global industrial supplier of technologically sophisticated components and subassemblies made of metal and plastic. It focuses on selected activities, especially in its main target market, the automotive industry.

Metal components and subassemblies

Adval Tech produces large quantities of stamped and formed series parts and subassemblies for the automotive industry. The Group produces the necessary tools in-house. For certain applications, the Group

also constructs entire production facilities. Adval Tech makes rotationally symmetrical parts (e.g. components for airbags, ABS braking systems and fuel injection systems), steering system subassemblies, roof rack systems, decor parts (e.g. trims), structural components and composite components from metal and plastic elements (e.g. door sill plates). These parts are manufactured in Switzerland, Germany, Hungary, Brazil and North America.



		Components	
		Metal	Plastic
Europe	Adval Tech (Grenchen) AG, Grenchen, Switzerland		●
	Adval Tech (Hungary) Kft., Szekszárd, Hungary	●	●
	Fischer IMF GmbH & Co. KG, Endingen and Sasbach, Germany	●	
	Styner+Bienz FormTech AG, Niederwangen and Uetendorf, Switzerland	●	
Asia	Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia		●
	Adval Tech (Suzhou) Co. Ltd, Suzhou, China		●
	Adval Tech (Thailand) Co. Ltd, Rayong, Thailand		●
Americas	Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico		●
	Styner+Bienz do Brasil Ltda., São José dos Pinhais, Brazil	●	
	Styner+Bienz US Inc., Cleveland, Ohio, USA	●	

Plastic components

Adval Tech produces highly innovative plastic parts in large batches for selected application areas. For example, it supplies automotive manufacturers and first-tier customers with air-water separation systems, air flow elements, air guidance systems and seatbelt buckles. Adval Tech also produces plastic parts, assemblies and systems for the household appliance and the medical device field. The production facilities for plastic components are located in Switzerland, Hungary, China, Thailand, Malaysia and Mexico.

Vision

Adval Tech is the preferred industrial partner for series metal and plastic parts. To realize this vision, the Group functions as a one-stop shop for the entire value chain, keeps up with its globally active customers and thus develops as a leading global partner. The Group also offers innovative solutions and efficient processes, thus ensuring profitable growth.

Mission

Adding value through innovation — that's what the name Adval Tech stands for. The Group is a global industrial supplier of technologically sophisticated components and subassemblies made of metal, light metal and plastic. Adval Tech focuses on the automotive market and on applications similar to those for the automotive industry in terms of quantities, quality requirements, service life and production

processes. By involving supply chain partners that are technology leaders in the value chain from the outset, it minimizes risks. The Group delivers quality without compromise worldwide. With its solutions and services it generates benefit for customers in terms of deadlines, quality and costs.

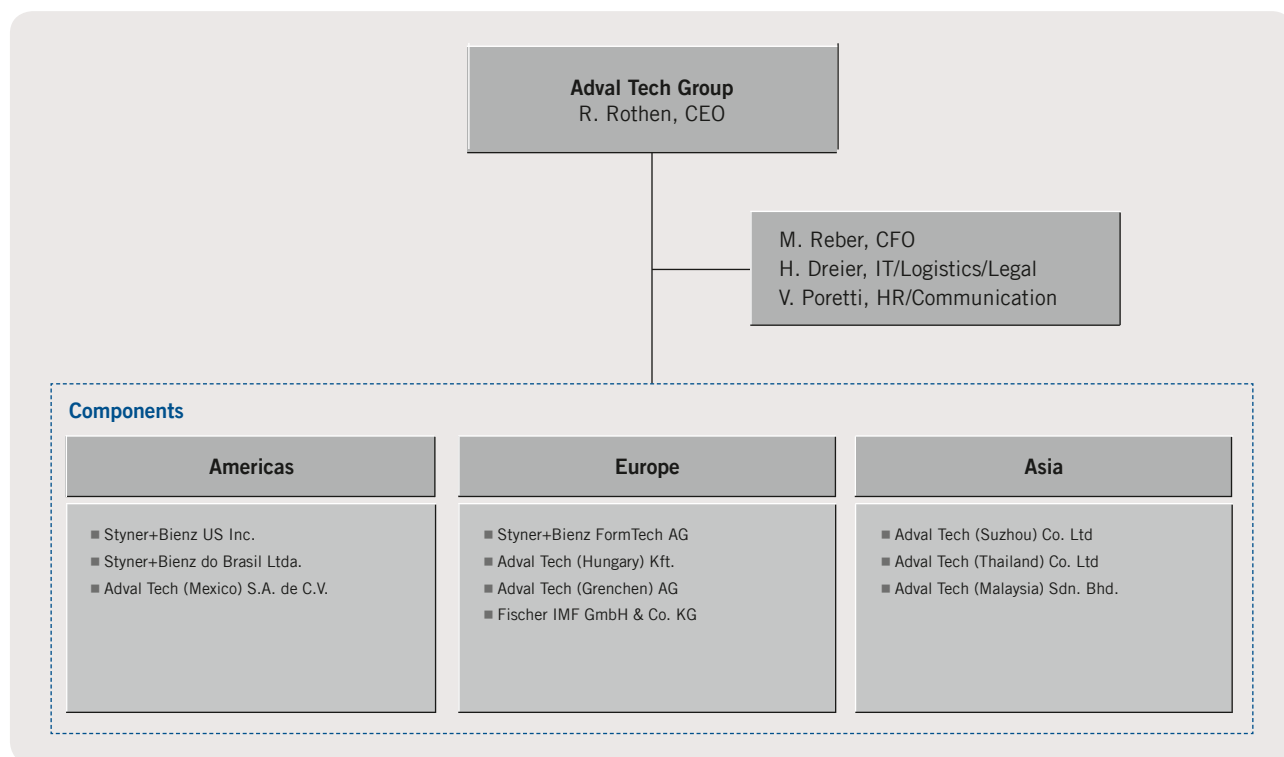
Values

Passion, focus and discipline are the three values that drive Adval Tech. Its employees have a win-win mentality and a great desire to succeed as a team. Adval Tech acts as a long-term, valuable partner and focuses its activities on applications that generate sustainable added value – for both the customers and the Group. Adval Tech adheres rigorously to customer agreements: its employees do what they say and deliver what they promise.

One-stop shop

Whether metal, plastic or hybrid technologies, whether for decor and safety-related parts for the automotive industry or for related applications in other markets: as a one-stop shop, Adval Tech supports its customers throughout the value creation process; from product development and prototyping, through tool and process development to component production and assembly.

GROUP STRUCTURE



As at April 1, 2017

GROUP EXECUTIVE MANAGEMENT

RENÉ ROTHEN CHIEF EXECUTIVE OFFICER

MARKUS REBER CHIEF FINANCIAL OFFICER

VALERIA PORETTI-REZZONICO HEAD CORPORATE HR/COMMUNICATION

HANS DREIER HEAD IT/LOGISTICS/LEGAL

(FROM LEFT TO RIGHT)

EXECUTIVE BODIES

Board of Directors

Dr. h.c. Willy Michel, Chairman
 Michael Pieper, Vice Chairman
 Hans Dreier
 Dr. Roland Waibel

Audit Committee: Dr. Roland Waibel (chair), Hans Dreier

Appointments and Compensation Committee: Dr. h.c. Willy Michel (chair),
 Michael Pieper, Dr. Roland Waibel

Group Executive Management

René Rothen, Chief Executive Officer
 Hans Dreier, Head IT/Logistics/Legal
 Valeria Poretti-Rezzonico, Head Corporate HR/Communication
 Markus Reber, Chief Financial Officer

Statutory Auditors

PricewaterhouseCoopers AG, Bern



CORPORATE GOVERNANCE

Adval Tech's corporate governance structure is based on the company's Articles of Incorporation and regulations governing the organization and conduct of business. Unless otherwise specified, the present Corporate Governance Report refers to the 2016 financial year, to the position at the balance sheet date of December 31, 2016, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 28, 2014. The following report conforms essentially to the structure specified by SIX Swiss Exchange.

Group structure and shareholders

Adval Tech Holding AG, incorporated in Niederwangen, Switzerland, is organized as a holding company under Swiss law and directly or indirectly owns all Adval Tech companies worldwide. Following the successful sale of the Molds segment (FOBOHA companies), since September 1, 2016 the Adval Tech Group has focused on the automotive market and related applications through its Components business area (metal and plastic components). The operating business units report directly to the CEO.

Group management and group financing are conducted through Adval Tech Management AG and Adval Tech Holding AG. Business is conducted through the relevant Group companies. The current Group structure is shown on page 36.

Since July 5, 2004, Adval Tech has had a single class of shares (registered shares). All registered shares are listed on SIX Swiss Exchange under securities number 896 792 and are traded in the Swiss Reporting Standard. From June 4, 1998 until July 4, 2004, the Adval Tech B registered shares were listed on SIX Swiss Exchange under the above securities number.

The SIX Swiss Exchange ticker symbol for Adval Tech registered shares is ADVN, the Reuters symbol is ADVN.S, and the Bloomberg symbol is ADVN SW. The ISIN number is CH0008967926. The market capitalization of Adval Tech Holding AG on December 31, 2016, was CHF 171.6 million.

On December 31, 2016, Adval Tech Management AG held 800 registered shares in Adval Tech Holding AG, giving it a stake of 0.11% (previous year: 638 registered shares). The remaining group companies hold no shares in Adval Tech Holding AG.

The following companies are included in the scope of consolidation as at December 31, 2016:

Company	Registered office	Share capital	Equity holding
Adval Tech Holding AG	Niederwangen, Switzerland	TCHF	14,600
Adval Tech Management AG	Niederwangen, Switzerland	TCHF	100
Adval Tech Immobilien AG	Niederwangen, Switzerland	TCHF	100
Styner+Bienz FormTech AG	Niederwangen, Switzerland	TCHF	3,050
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939
Styner+Bienz US Inc.	Cleveland, OH, USA	TUSD	1
Adval Tech Holding (Germany) GmbH	Endingen, Germany	TEUR	25
Fischer IMF GmbH & Co. KG	Endingen, Germany	TEUR	1,132
Fischer IMF Verwaltungs-GmbH	Endingen, Germany	TEUR	51
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TUSD	3
Adval Tech (Hungary) Kft.	Székszárd, Ungarn	TEUR	990
Adval Tech (Grenchen) AG	Grenchen, Switzerland	TCHF	2,000
Adval Tech Holdings (Asia) Pte. Ltd	Singapore	TUSD	13,517
Adval Tech (Thailand) Co. Ltd	Rayong, Thailand	TTHB	40,000
Adval Tech (Suzhou) Co. Ltd	Suzhou, China	TUSD	9,660
Adval Tech (Malaysia) Sdn. Bhd.	Johor, Malaysia	TUSD	505
Omni Plastics (Shanghai) Co. Ltd	Shanghai, China	TUSD	1,100
Omni Engineering Shanghai Co. Ltd	Shanghai, China	TUSD	2,800

The following changes in the scope of consolidation took place in the year under review: Following the acquisition of Fischer IMF GmbH & Co. KG in Endingen am Kaiserstuhl, Germany, in early April 2016, the following companies were newly included in the Adval Tech Group's scope of consolidation:

Adval Tech Holding (Germany) GmbH, Endingen am Kaiserstuhl: The purpose of this company is to acquire and sell, hold and manage equity interests and properties. Adval Tech Holding (Germany) GmbH acquired the operating property of Fischer IMF GmbH & Co. KG in Endingen and leases it to Fischer IMF GmbH & Co. KG. In connection with the acquisition of the shares in Fischer IMF GmbH & Co. KG, Adval Tech Holding AG acquired 100% of the shares in Adval Tech Holding (Germany) GmbH from third parties.

Fischer IMF GmbH & Co. KG, Endingen am Kaiserstuhl: This company manufactures tools for the production of stamped and formed metal parts and produces metal components and modules; both areas of activity primarily serve the automotive market. Its customers include well-known German automotive manufacturers and global automotive suppliers. Fischer IMF GmbH & Co. KG generates total income of around EUR 30 million a year. Adval Tech Holding AG acquired 100% of the shares in Fischer IMF GmbH & Co. KG indirectly through Adval Tech Holding (Germany) GmbH.

Fischer IMF Verwaltungs-GmbH, Endingen am Kaiserstuhl: This company is the general partner in Fischer IMF GmbH & Co. KG. Adval Tech Holding AG acquired 100% of the shares in Fischer IMF GmbH & Co. KG indirectly through Adval Tech Holding (Germany) GmbH.

Adval Tech Immobilien AG, which is based in Niederwangen, Switzerland, was established in the second half of 2016, in connection with the planned restructuring of the Group's own properties in Switzerland. The aim is to integrate the operating properties into the newly established company and lease them to the production companies.

Due to the sale of the Molds segment (FOBOHA companies), the following activities have no longer been included in scope of consolidation of Adval Tech Holding AG since September 1, 2016: FOBOHA (Switzerland) AG, FOBOHA Holding GmbH, FOBOHA (Germany) GmbH, FOBOHA (US) Inc., FOBOHA (Suzhou) Co. Ltd.

Adval Tech (Mexico) S.A. de C.V. was established in the first half of 2015. Adval Tech Holding AG holds 100% of the shares in this company, either directly or indirectly. Adval Tech (Mexico) S.A. de C.V. was established to build up the business for the automotive market in Mexico. It started operating in the second half of 2015.

The disclosures pursuant to Article 120 of the Financial Market Infrastructure Act (FinMIA) are available on the SIX Swiss Exchange website via the following link: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html.

No disclosures pursuant to Article 120 of the Financial Market Infrastructure Act (FinMIA) were made in 2016.

Shareholders holding more than 3% of the registered share capital (as shown in the shareholders' register or according to the latest published disclosure report), as recorded in the Commercial Register on December 31, 2016, are listed below.

Ownership interest (as last reported)	12/31/2016	12/31/2015
Dr. h.c. Willy Michel	23.7%	23.7%
Artemis Beteiligungen I AG, Hergiswil ¹⁾	21.2%	21.2%
J. Safra Sarasin Investment Fonds AG*	8.5%	9.8%
Grapha Holding AG (vormals GEKLA AG), Hergiswil ²⁾	8.8%	8.8%
Hansruedi Bienz	7.5%	7.5%
Einfache Gesellschaft Dreier ³⁾	3.5%	3.5%

Economic beneficiaries:

1) Michael Pieper

2) Rudolf B. Müller

3) Hans Dreier, Rudolf Dreier

* Effective amount of holding as at December 31, 2016 and December 31, 2015

There are no shareholders' pooling agreements and no capital or voting cross-holdings. The overall structure of shareholdings at December 31, 2016, was as follows:

Number of shares	Shareholders
1 to 100	234
101 to 1,000	83
1,001 to 10,000	16
more than 10,000	10
Total	343

Capital structure

As at December 31, 2016, the share capital of Adval Tech Holding AG amounted to CHF 14.6 million, divided into 730,000 registered shares with a par value of CHF 20 each. All the shares carry the same voting and dividend rights. The share capital is fully paid up. With respect to restrictions on registration, reference is made to the section on shareholders' participation rights (see page 49).

Changes in the equity of Adval Tech Holding AG are as follows:

CHF	12/31/2016	12/31/2015	12/31/2014
Share capital	14,600,000	14,600,000	14,600,000
Legal capital reserve	97,424,589	97,424,589	97,424,589
Legal retained earnings	9,690,236	9,596,186	9,599,413
<i>General legal retained earnings</i>	<i>9,500,000</i>	<i>9,500,000</i>	<i>9,500,000</i>
<i>Reserves for treasury shares</i>	<i>190,236</i>	<i>96,186</i>	<i>99,413</i>
Voluntary retained earnings	10,580,926	10,674,976	10,671,750
Losses carried forward	-47,777,122	-18,814,905	-20,034,078
Profit/loss for the year	92,933,990	-28,962,217	1,219,173
Total shareholders' equity	177,452,619	84,518,629	113,480,847

There were no changes in capital in 2014, 2015 and 2016.

As at December 31, 2016, there was no authorized or conditional capital, nor were any participation or dividend-right certificates, convertible bonds or options in issue.

The shareholders' register is maintained by Computershare Schweiz AG (formerly SIX SAG AG), Baslerstrasse 90, 4600 Olten, on behalf of Adval Tech Holding AG.

Board of Directors

On December 31, 2016 the Board of Directors of Adval Tech Holding AG was composed of the following members:

- **Willy Michel** (Chairman), born 1947, Swiss; Dr. h.c.; holder of a professional qualification as a pharmaceutical consultant with a federal diploma. General Manager of Novo-Nordisk Switzerland (1978–1984). As cofounder, Michel was Chairman of the Board and General Manager of Disetronic Holding AG, Burgdorf (1984–2003). Since 2003 he has been Chairman of the Board of Ypsomed Holding AG, Burgdorf (and also CEO from 2011 to 2014). He has been a non-executive member of the Board of Directors of Adval Tech Holding AG since 2007 and Chairman of the Board since 2012. His term of office expires at the close of the Annual General Meeting for financial year 2016.
- **Michael Pieper** (Vice Chairman), born 1946, Swiss; MA (Econ.) St. Gall; owner and CEO of Artemis Holding AG, Hergiswil (since 1989); director since 2004, non-executive, serving until the close of the Annual General Meeting for financial year 2016.

- **Hans Dreier**, born 1953, Swiss; MBA FH; executive director since 1988, Head of IT/Logistics/Legal at the Adval Tech Group, Niederwangen. He has been an executive member of the Board of Directors of Adval Tech Holding AG since 1988 and was elected until the close of the Annual General Meeting for financial year 2016. Further information on his professional career can be found under “Executive Management” on page 48.
- **Roland Waibel**, born 1958, Swiss; PhD; various executive positions at the Lonza Group, Basel, including Group Controller, CFO and Senior Vice President, Corporate Development (1989–2006), CFO of the Omya Group, Oftringen (2006–2013), CFO of the Archroma Group, Reinach (since 2013); member of the Board of Directors of Adval Tech Holding AG since 2005, non-executive, serving until the close of the Annual General Meeting for financial year 2016.

Willy Michel is Chairman of the Board of Directors of Ypsomed Holding AG, Burgdorf. From fall 2011 until mid-2014 he also served as CEO of the company. He is also Vice Chairman of the Board of Directors of BV Holding AG, Bern (Chairman from 2001 until 2008). On December, 31, 2016, he held two mandates at exchange-listed companies and exercised three mandates at unlisted legal entities. He was a member of the Burgdorf municipal council for three years. He also owns several companies that have built a reputation in the art, hospitality and watchmaking industries. In 2007 Dr. Michel founded Finox AG, specializing in fertility therapies. This company was sold to a third party in July 2016. After receiving the Master Entrepreneur prize from Ernst & Young in 2005, he was awarded an honorary doctorate by the University of Bern Faculty of Economic and Social Sciences in 2006. The Swiss Association for Internal and Integrated Communication (SVIK) awarded Dr. Michel its 2014 Communicator of the Year (COTY) Award.

Michael Pieper is a director of the following companies: Berenberg Bank (Switzerland) AG, Zurich, Hero AG, Lenzburg, Forbo Holding AG, Baar, Rieter Holding AG, Winterthur, Autoneum Holding AG, Winterthur and AFG Arbonia-Forster-Holding AG, Arbon. He holds four mandates at listed companies and exercises three mandates at unlisted legal entities.

Roland Waibel is a member of the Board of Directors of the unlisted company M. Dohmen S.A., San Vittore, Switzerland. In his capacity as CFO of the Archroma Group, he also serves on the boards of various Group companies both in Switzerland and abroad. He holds two mandates in all from unlisted legal entities.

None of the non-executive members of the Board of Directors was employed by the Adval Tech Group in an operational or consultative capacity in the past three years. The members of the Board of Directors were not active on any management or supervisory body of significant Swiss or foreign corporations, institutions or foundations under private or public law outside the Adval Tech Group, nor do they hold any important political offices.

Under Article 30 of the Company's Articles of Incorporation as at May 21, 2015, members of the Board of Directors may hold at most five mandates at exchange-listed companies and ten mandates at unlisted legal entities. Mandates in enterprises directly or indirectly controlled by the Company, mandates assumed at the Company's instruction and mandates in clubs, charitable organizations, foundations, trusts and pension funds are exempted from these restrictions. Further, mandates in multiple legal entities under joint control are treated as a single mandate.

Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Number of mandates as at December 31, 2016 (outside the Adval Tech Group)¹

Number of mandates	Public companies	Unlisted legal entities
Restriction under Articles of Incorporation	5	10
Willy Michel	2	3
Michael Pieper	4	3
Roland Waibel	0	2

1) See the Group Executive Management section, page 48, for information on the number of Hans Dreier's mandates.

Ypsomed AG in Burgdorf and Adval Tech Holding AG signed an agreement on strategic cooperation in mold making in June 2007. The objective of this cooperative venture is to combine the respective strengths and core competencies of Ypsomed and Adval Tech and exploit them for the economically efficient manufacture of high-quality products. This agreement became null and void as a consequence of the sale of the FOBPHA companies by Adval Tech Holding AG in August 2016.

In September 2010, Finox AG in Burgdorf and Adval Tech Holding AG agreed to collaborate in the field of mold manufacturing and plastic components. The aim of this collaboration is for Adval Tech to provide production capacity for Finox medical components. Finox AG is deemed to be a related party, as a member of the Board of Directors of Adval Tech Holding AG is a main shareholder of Finox AG. This agreement became null and void as a consequence of the sale of Finox AG to a third party in July 2016.

As part of the reorganization of the Adval Tech Group's financing in January 2012, Techpharma AG, which is wholly owned by Mr. Willy Michel, and Mr. Willy Michel himself provided a guarantee in favor of the lending banks. This contract expired at the beginning of July 2014. It was replaced by a new contract under which the above parties provide a guarantee in the amount of CHF 25 million in favor of the lending banks. Thanks to the inflow of funds from the successful sale of the Molds segments, the syndicated loan was completely repaid at the end of September 2016. As a result, the guarantee lapsed. Please see Note 18 to the Financial Report on pages 91 and 92 for details.

The subordinated loan from a major shareholder drawn down to finance the acquisition of Fischer IMF GmbH & Co. KG and its operating property amounted to CHF 26.0 million at June 30, 2016. The loan was arranged in the second quarter of 2016 and was fully repaid at the end of September 2016.

The turnover, receivables and payables listed in Note 37 were substantially the result of transactions with entities related to Chairman of the Board of Directors Willy Michel. The other members of the Board of Directors have no substantial business relations with the Company or its Group companies. All Adval Tech Group business relations with related parties are described and quantified in Note 37 of the Financial Report on page 105.

According to the Articles of Incorporation of Adval Tech Holding AG, the Board of Directors has at least three members. Subject to Art. 707 para. 3 of the Swiss Code of Obligations, only shareholders of the Company may be elected as members of the Board of Directors. The Chairman and other members of the Board of Directors are elected individually each year by the Annual General Meeting. The term of office of each member of the Board of Directors expires upon conclusion of the next Annual General Meeting. Members are eligible for re-election. The Company's Articles of Incorporation do not contain any provisions stipulating an age limit for members of the Board of Directors. The new Organizational Rules in the version dated March 23, 2017 abolish the previous age limit for members of the Board of Directors.

Adval Tech Holding AG's Articles of Incorporation and Organizational Rules are available on the Internet at www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules.

The following elections were held at the Annual General Meeting of May 19, 2016:

- Willy Michel, Michael Pieper, Hans Dreier and Roland Waibel were individually re-elected as members of the Board of Directors for a term of one year, elapsing at the close of the next Annual General Meeting.
- Willy Michel was re-elected as Chairman of the Board of Directors in a separate election for the period ending at the close of the next Annual General Meeting.
- Willy Michel, Michael Pieper and Roland Waibel were individually re-elected as members of the Nomination and Compensation Committee for a term of one year, elapsing at the close of the next Annual General Meeting.
- The law and notary firm of Muntwyler von May Notare in Bern und Ittigen was appointed independent proxy for the period ending at the close of the next Annual General Meeting.
- PricewaterhouseCoopers AG, Bern, was reappointed as statutory auditor for financial year 2016.

Subject to the powers reserved to the Annual General Meeting (members of the Board of Directors, election of the Chairman of the Board and members of the Compensation Committee), the Board of Directors constitutes itself and appoints a Secretary, who need not be a member of the Board of Directors.

The Board of Directors represents the highest decision-making authority in the company, subject to those matters on which, according to legal provisions, the shareholders must decide. It performs the following duties: specifying the framework of the mission statement, strategic focus and objectives as well as medium-term planning and the annual budget for the Group Executive Management; defining the Group organization; appointing and dismissing the CEO and other members of the Group Executive Management; ensuring operational management of the Group; drawing up the annual report; approving the budget and medium-term planning; preparing the Annual General Meeting. The Board of Directors executes the motions adopted by the Annual General Meeting and supervises the practical realization of the mission statement and the implementation of the strategy as well as the course of business. It also oversees finance and accounting matters, periodically conducts risk evaluations and approves the material transactions for which it is solely responsible according to the allocation of authority in effect. These include in particular corporate acquisitions or disposals, contracts regarding licenses and cooperation.

The Board of Directors can delegate the preparation, execution and supervision of its duties to committees or individual directors. It has formed an Audit Committee and a Nomination and Compensation Committee for this purpose.

The duties, competencies and responsibilities of the Board of Directors and the board committees are stipulated in the Organizational Rules of Adval Tech Holding AG (direct link: www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules).

The duties and competencies of the Audit Committee are listed in paragraph 5 of the Organizational Rules. The composition of the Audit Committee is as follows: Roland Waibel (Chairman) and Hans Dreier.

The duties of the Nomination and Compensation Committee are set out in Section 6 of the Organizational Rules. The Nomination and Compensation Committee is made up exclusively of non-executive members of the Board of Directors: Willy Michel (Chairman), Michael Pieper and Roland Waibel.

The Board of Directors meets as often as business requires, but at least four times a year (as a rule, at least once a quarter) and is presided over by the Chairman. It held four meetings during the year under review. Board meetings usually last half a working day. The Group Executive Management, attended all meetings of the Board of Directors in the year under review.

The **Audit Committee** is responsible for reviewing the annual financial statements and other financial information. It discusses the results of audits with the external auditors, and reviews the internal control system, risk management and compliance with laws, directives and standards. At the proposal of the CFO it approves the budget for auditing fees and assesses the independence and compatibility of auditing activities with other advisory mandates. The Audit Committee submits a proposal on the election of the auditors to the Board of Directors for the attention of the Annual General Meeting. The CFO and, if necessary, the CEO usually attend the meetings in a consultative capacity. The Audit Committee usually acts in a preparatory capacity for the Board of Directors as a whole; decision-making powers lie with the Board of Directors as a whole. The Audit Committee meets as often as business requires, but at least twice a year. Three meetings were held in 2016. The CFO attended all three meetings in the year under review; the CEO attended two. The auditors also attended all three meetings in 2016. No other external advisers were called in. The meetings usually last half a working day. The audit findings can be seen in the remuneration report on pages 64 and 65, in the financial report on pages 107 to 112 for the consolidated financial statements and on pages 124 to 127 for Adval Tech Holding AG.

In accordance with the Company's Articles of Incorporation as at May 21, 2015, the **Nomination and Compensation Committee** is made up of at least two members of the Board of Directors. Members are elected individually by the Annual General Meeting for a term lasting until the conclusion of the next Annual General Meeting. Members may be re-elected. Following election of the members of the Nomination and Compensation Committee, the Board of Directors designates the Chairman of the Committee, which otherwise constitutes itself. The Nomination and Compensation Committee conducts personnel planning at the Board of Directors and Group Executive Management level, in particular by setting criteria for candidate searches and preparing the selection, and by performing succession planning and support. It assesses the performance of the Group Executive Management members, reporting to the Board of Directors, and determines the basic salaries and bonuses of the Group Executive Management based on a fixed formula. The Nomination and Compensation Committee assesses the compensation of the Group Executive Management once a year and, where appropriate, submits recommendations for potential adjustments to the Board of Directors. The Nomination and Compensation Committee proposes the compensation of the Chairman and other members of the Board of Directors. The Nomination and Compensation Committee meets as frequently as business requires but at least once a year, upon invitation by the Chairman. It held one meeting in 2016. As a rule, the CEO attends meetings in an advisory capacity; in 2016 he did not attend the meeting. No external advisers were called in. The meetings usually last between one and two hours. As a rule, the Nomination and Compensation Committee acts in a preparatory capacity for the full Board of Directors, providing timely reports on the results of its activities. It presents the requisite proposals to the Board of Directors in the person of the Chairman; decision-making authority lies with the full Board of Directors or the Annual General Meeting.

Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Composition of the Board of Directors and the Committees and number of meetings held in 2016

Full Board of Directors ¹			Audit Committee ¹		Appointments and Compensation Committee ²	
Name	Position	Meetings attended	Position	Meetings attended	Position	Meetings attended
Dr. h. c. Willy Michel	Chairman	4	-	-	Chair	1
Michael Pieper	Vice Chairman	4	-	-	Member	1
Hans Dreier	Member	4	Member	3	-	-
Dr. Roland Waibel	Member	4	Chair	3	Member	1
Total meetings		4		3		1

1) The CEO attended four meetings of the full Board of Directors and two meetings of the Audit Committee. The CFO attended four meetings of the Board of Directors and all three meetings of the Audit Committee. The Head of Corporate HR/Communication attended three meetings of the Board of Directors.

2) The CEO did not attend any meetings of the Nomination and Compensation Committee.

Information and control instruments in relation to the Group Executive Management

The Board of Directors informs itself by means of a detailed monthly report in writing regarding the course of business in the Group, the degree to which objectives have been achieved and the action foreseen for this purpose. The monthly report contains details of the current performance of the key group companies and the Group as a whole (key figures from the income statement – such as turnover, income and operating earnings – and the balance sheet – working capital, debt, liquidity and details on investment spending – supplemented by a comment from the CEO and CFO, and the status of key projects and significant developments in the markets. Until the sale of the Molds segment (FOHOBAs companies) on September 1, 2016, the monthly report also contained details of the Components and Molds segments. Since September 1, 2016, Adval Tech has focused on the components area of activity. The Board of Directors receives information about the status of strategic projects at its meetings. If needed, it obtains information about the company's performance, special events and the status of key projects outside the framework of regular reports and meetings. The written reports are supplemented with detailed comments by the CEO and other members of Executive Management at the respective meetings of the Board of Directors, where open issues and queries can be addressed and answered. Proposals and reports are submitted in writing to the Board of Directors in good time prior to the meeting. The Board of Directors informs itself regularly, at least once a year, regarding the Group's business risks and assesses these. As part of the risk assessment process, the likelihood of occurrence of risks and the potential damage are considered. The company uses both quantitative and qualitative methods for this. These are uniform throughout the Group to ensure that risks can be compared across business units. A risk assessment is made on the basis of the results of the likelihood of occurrence and expected impact of each risk. The management of financial risks is described in detail in Note 2 on page 77 of the Financial Report and cooperation with the auditors is described on pages 51 and 52 of this Corporate Governance Report.

Internal control system

The Adval Tech Group's internal control system (ICS) is implemented at company level at significant group entities. The processes required to be covered by the ICS, their definitions and the documentation of the ICS are stipulated centrally by the group. An internal control system has been in operation at significant group entities for some time; since 2009, its design and application have been coordinated group-wide. The Board of Directors receives regular reports on the design and development of the internal control system, generally once a year. The existence of the ICS is reviewed annually by the auditors. The auditors submitted one written report on the results of their review of the ICS to the Board of Directors during the reporting period. The findings of that audit are outlined in the auditor's report on pages 112 and 127 of the Annual Report.

Within the internal control system, ten processes have been defined as finance-related. These are subdivided into group-wide processes/controls and entity-level processes/controls. The group-wide processes/controls encompass group-level controls (such as control environment, risk assessment, information, communication), information technology and group-wide activities (such as M&A, insurance, consolidation). At company level, key risks and key controls are defined for the following processes and continually monitored: turnover and accounts receivable, purchasing and accounts payable, inventories and projects, personnel, tangible fixed assets, treasury and cash management, provisions and preparation of financial statements.

The Adval Tech Group does not have an internal audit function. The Board of Directors of Adval Tech Holding AG has not created a separate internal audit function due to the group structure and the design of the internal control system. The Board of Directors has delegated the management of the operating business with regard to achieving the strategic objectives and fulfilling the medium-term plans and budgets to the Group Executive Management, chaired by the CEO. Internal organization and the allocation of authority are set out in the Adval Tech Group's regulations governing the organization and conduct of business (www.advaltech.com/gruppe/ueber-adval-tech/corporate-governance/statuten-und-reglemente).

In addition to the non-assignable duties stipulated by law, the Board of Directors has reserved for itself decision-making authority for the following transactions: acquisition and disposal of investment holdings, development and closure of sites, restructuring measures, tendering of sureties and guarantees, appointing and dismissing members of the Group Executive Management, entry into significant and/or long-term contracts with customers or suppliers, initiation of significant investments or divestments, modifications of accounting standards and principles above and beyond adjustments to the standard applied.

Group Executive Management

The executive management team of the Adval Tech Group (Group Executive Management) consisted of four members as at December 31, 2016:

- **René Rothen**, born 1959, Swiss; with Adval Tech since 2007; Chief Executive Officer; Grad. Eng. HTL. Career: Head of Product Development, machine tool manufacturing at EWAG AG, Etziken (1983–1993), various executive positions at Saia-Burgess in Murten (1993–2006), including Head of Operations, Switzerland and Hungary, and finally also as CEO of a subsidiary in the US. Joined Adval Tech as Head of the Automotive Division in 2007, member of the Group Executive Management since 2007, CEO of the Adval Tech Group since August 1, 2012.
- **Hans Dreier**, born 1953, Swiss; at Adval Tech since 1982; Head of IT/Logistics/Legal; MBA FH. Career: project manager, then systems manager at Honeywell Bull, Düsseldorf, Germany (1980–1982); joined Styner+Bienz as Head of Information Technology, as of 1984 Head of Sales and Marketing, since 1997 member of the Group Executive Management in his current position. Member of the Board of Directors of Adval Tech Holding AG since 1988; see page 43.
- **Markus Reber**, born 1963, Swiss; with Adval Tech since 2002, Chief Financial Officer; Exec. MBA FH. Career: controller and CIO at ABB-MMD Robotics AG, Deitingen (1989–1992), Commercial Manager of ABB Fläkt AG, Lucerne (1993), Head of Finance and Administration in the Repair unit of Swisscom AG, Bern (1993–1997), Head of Finance and Controlling in the Service and Repair unit of Swisscom AG, Bern (1997–2000), Head of Finance and Central Services at the Feusi Bildungszentrum, Bern (2000–2002). Joined Adval Tech as Group Controller, CFO and member of the Group Executive Management since January 1, 2007.

- **Valeria Poretti-Rezzonico**, born 1961, Swiss; with Adval Tech since 2008; Head of Corporate HR/Communication; AMP Harvard Business School; Career: Head of the Secretariat of the General Management of Danzas Transporte Italy/Ticino, Milan/Chiasso (1988–1996), various positions at Saia-Burgess, Murten (1996–2006) including Head of Investor Relations, Corporate Communication & Marketing. Joined Adval Tech as Head of Corporate HR/Communication, member of the Group Executive Management since May 1, 2012.

The provisions of the Articles of Incorporation concerning mandates outside Adval Tech Holding AG stipulate that members of the Group Executive Management may assume no more than two mandates at exchange-listed and five mandates at unlisted legal entities. See also <http://www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules>. For further details on mandates, please see the notes on the Board of Directors on pages 42 and 43 of this Corporate Governance Report.

Members of the Group Executive Management are not active on any management or supervisory body of significant Swiss or foreign corporations, institutions or foundations under private or public law outside the Adval Tech Group, nor do they hold any important political offices.

Number of mandates as at December 31, 2016 (outside the Adval Tech Group)

Number of mandates	Public companies	Unlisted legal entities
Restriction under Articles of Incorporation	2	5
René Rothen	0	0
Hans Dreier	0	0
Markus Reber	0	0
Valeria Poretti-Rezzonico	0	0

In the reporting period, there were no further management contracts between Adval Tech Holding AG or its subsidiaries, and third parties. Details of remuneration, equity holdings and loans will be presented in the Remuneration Report on pages 55 to 63 of this Annual Report.

Shareholders' participation rights

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application, if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Article 6 of the Articles of Incorporation of Adval Tech Holding AG as amended on May 21, 2015 (unchanged from the version dated June 19, 2012), purchasers of shares will not be registered with voting rights for more than 10% of the registered share capital recorded in the Commercial Register. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. See also the company's Articles of Incorporation at <http://www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules/>.

At the Annual General Meeting of June 19, 2012, the shareholders approved the raising of the registration restriction from 5% to 10% along with a corresponding amendment to the Articles of Incorporation. Groups of individuals who are associated with each other and act in concert to circumvent the registration restrictions are regarded as a single purchaser. The Board of Directors can permit exceptions. In 2006, the Board of Directors granted an exception in favor of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. There was a change of shareholders in 2014 due to the merger of Artemis Beteiligungen I AG with Artemis Beteiligungen II AG. Beneficial ownership remained unaffected by this transaction. The Board of Directors has affirmed the continued validity for Artemis Beteiligungen I AG of the exception granted to Artemis Beteiligungen II AG.

On January 30, 2007, the Board of Directors permitted an exception in favor of Willy Michel, which was granted in connection with a cooperation agreement.

Furthermore, these voting restrictions (regarding the previous 5%) do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all voting rights when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Hansruedi Bienz, Dreier unregistered partnership). The exceptions granted were also applied by the Board of Directors in the 2016 reporting period.

Repeal of the registration restrictions requires the approval of at least two-thirds of voting rights represented at the Annual General Meeting. Fiduciary entries in the shareholders' register are only possible without voting rights.

The Annual General Meeting adopts resolutions and conducts elections by a majority of valid share votes except where the law or the Articles of Incorporation stipulate otherwise. The provisions concerning quora in Adval Tech Holding AG's Articles of Incorporation meet the legal requirements. Art. 703 of the Swiss Code of Obligations specifies that resolutions of the Annual General Meeting must normally be taken by an absolute majority of the voting rights represented. Exceptions are the resolutions specified in Art. 704 of the Swiss Code of Obligations, which require at least two-thirds of the voting rights represented and the absolute majority of the par value of the shares represented: changes to the object of the company, introduction of shares with privileged voting rights, restrictions on the transferability of registered shares and the abolition of such restrictions, an authorized or conditional capital increase, a capital increase out of own resources, in return for contribution in kind, or for the purpose of acquiring assets and the granting of special benefits, restrictions or abolition of subscription rights, relocation of the company domicile, dissolution of the company.

Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Invitations to the Annual General Meeting are issued by publication in the Swiss Official Commercial Gazette no less than 20 days prior to the Annual General Meeting. Shareholders entered in the shareholders' register can also be invited in writing. Shareholders representing at least ten percent of share capital may demand the convocation of an Extraordinary General Meeting in writing, indicating the agenda items and resolutions to be taken up. Shareholders representing shares with a par value of not less than CHF 1 million can request the inclusion on the agenda of items for discussion. Such requests must be submitted to the Board of Directors before the General Meeting, indicating the matter to be discussed and the precise proposal. Provisions of law concerning deadlines and the date of record apply. There are no regulations differing from the Swiss Code of Obligations regarding the convening of a general meeting. Shareholders with voting rights who are entered in the shareholders' register at least 14 days prior to the Annual General Meeting are entitled to vote at the meeting. The anticipated deadline for registration before the Annual General Meeting on May 18, 2017 is tentatively set for May 8, 2017.

Shareholders who have sold shares prior to the Annual General Meeting are not entitled to vote in respect of the shares sold. The provisions of the Articles of Incorporation governing attendance at the AGM comply with the Swiss Code of Obligations.

Independent proxy

Under the Company's Articles of Incorporation as dated May 21, 2015, the Annual General Meeting elects the independent proxy each year. If a legal entity or association is elected, such entity or association, in consultation with the Chairman, determines the individual who will represent the independent proxy at the Annual General Meeting with a written authorization. If the Company has no independent proxy, the Board of Directors appoints the independent proxy for the next Annual General Meeting. The independent proxy's term of office ends upon adjournment of the next Annual General Meeting. The independent proxy is eligible for re-election. Dismissal by the Annual General Meeting is effective at the end of that Annual General Meeting.

Proxy authorizations and instructions may only be issued for the upcoming Annual General Meeting. Shareholders may give the independent proxy both written and electronic authorizations and instructions. All of a shareholder's shares must be represented by the same party. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

The Board of Directors is responsible for adopting the rules for conveying instructions for representation at the Annual General Meeting by the independent proxy. In particular, it may set the requirements for a valid instruction to the independent proxy.

At the Annual General Meeting on May 19, 2016, legal firm Muntwyler von May Notare, of Bern and Ittigen, was re-elected as independent proxy for the period up to the end of the next Annual General Meeting. Muntwyler von May Notare is an independent legal firm.

For the upcoming Annual General Meeting of May 18, 2017, the Board of Directors will ensure that Adval Tech Holding AG shareholders have the option of submitting their authorization and instructions to the independent proxy electronically. Details on submitting an electronic authorization and instructions to the independent proxy will be explained in the invitation to the next Annual General Meeting. The Company allows shareholders to send their voting instructions for Annual General Meetings to the independent proxy in electronic form using the eComm platform (www.ecomm-portal.ch). The procedures for registration and voting using this platform are sent to shareholders recorded in the share register together with the invitation to the Annual General Meeting.

Changes of control and defense mechanisms

The Articles of Incorporation of Adval Tech Holding AG include no provisions for "opting-out" or "opting-up" upon reaching the legal value threshold. The contracts of employment with directors and officers and other members of management holding key posts in the company do not contain any change of control clauses. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Statutory auditors

PricewaterhouseCoopers AG in Bern, respectively the legal predecessor Revisuisse PricewaterhouseCoopers, was elected as Adval Tech Holding AG's statutory auditor for the first time in 1991. The Annual General Meeting elects the auditors for a period of one year. PricewaterhouseCoopers AG, Bern, was reappointed for financial year 2016 by the Annual General Meeting of May 19, 2016. The lead auditor is Hanspeter Gerber (from the 2010 Annual General Meeting until the end of the 2017 Annual General Meeting). Oliver Kuntze is scheduled to take over as lead auditor from the Annual General Meeting in 2017.

Total auditing fees invoiced by PricewaterhouseCoopers AG in 2016 came to CHF 355,000 (previous year: CHF 406,000).

The following fees were also paid to PricewaterhouseCoopers AG in 2016:

Additional fees (CHF)	2016	2015
Tax consulting	88,000	91,000
M&A activities/cooperation projects	54,000	0
Total fees	142,000	91,000

The auditors report their audit findings in an extensive written report to the Board of Directors and the Audit Committee at least twice a year (once per half-year). The significant findings and recommendations in the auditors' reports are discussed in detail with the Audit Committee and, when necessary, with the Board of Directors as a whole and the Group Executive Management. The auditors also attended all three meetings of the Audit Committee in 2016 in order to explain the results of their audit. A detailed management report was drawn up by the auditors on each occasion to summarize the results of the interim audit and the audit of the annual financial statements; this served as the basis for explanations to the Audit Committee and the Board of Directors as a whole. The Audit Committee reviews the audit concept annually and stipulates the audit schedule after consultation with the auditors and the Chairman of the Board of Directors, and defines the fee framework. The committee also periodically reviews the independence of the auditors (their personal independence and that of the auditing firm), the provision of the relevant resources by the auditors, practical recommendations for the implementation of the Swiss GAAP FER guidelines, the auditors' understanding of the business units and the company's specific business risks, cooperation with the Audit Committee and the Group Executive Management, and the compatibility of the audit mandate with any other consulting contracts. Consulting contracts awarded to the auditors for more than CHF 0.1 million per contract must be approved by the Audit Committee before being awarded. For the year under review, the Audit Committee and the Board of Directors as a whole have concluded that the independence of the auditors is fully guaranteed.

As regards rotation of the lead auditor, the Board of Directors complies with the legal requirements of the Swiss Code of Obligations, i.e. the lead auditor is replaced every seven years in the process of rotation.

Information policy

Adval Tech attaches great importance to pursuing an open information policy and maintaining contacts with investors, financial analysts, business journalists and other interested parties. These target groups can contact CEO René Rothen, CFO Markus Reber and the Head of Corporate Communication, Valeria Poretti-Rezzonico, directly. Adval Tech publishes its results in an annual report and a semi-annual report, and also in press releases. A press conference and a presentation to financial analysts are also held to explain the annual results. The annual and semi-annual reports can be accessed on the Adval Tech Group's website or can be ordered from the company in printed form.

The company's official publication medium is the Swiss Official Gazette of Commerce (SOGC, www.shab.ch). Publications in connection with maintaining the listing of the registered shares on the SIX Swiss Exchange are made in conformity with the listing regulations of SIX Swiss Exchange. These can be accessed at www.six-exchange-regulation.com/de/home/regulation/issuer.html. Detailed information regarding disclosure reports can be accessed at www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html.

Important events are announced in compliance with the ad hoc publicity requirements of SIX Swiss Exchange and made public (so-called push and pull system). Information on transactions in the Company's shares by the Board of Directors and Group Executive Management are published regularly at www.six-exchange-regulation.com/de/home/publications/management-transactions.html.

Information on transactions in the Company's shares by the Board of Directors and Group Executive Management are published regularly at www.advaltech.com.

Direct link for press releases: www.advaltech.com/en/group/media/press-releases.

Direct link for the Articles of Incorporation and Organizational Rules: www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules.

Press releases published by Adval Tech can also be ordered for delivery free of charge and promptly via an e-mail distribution service on the website or via RSS Feed. Direct link for registrations to receive ad hoc announcements: www.advaltech.com/en/group/news/newsletter.

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Upcoming events

Annual General Meeting:
Thursday, May 18, 2017, Bern

Announcement of semi-annual results:
End of August 2017

REMUNERATION REPORT

This remuneration report for the 2016 financial year describes the compensation principles, the compensation system and the remuneration for the Board of Directors and Group Executive Management of Adval Tech Holding AG.

The details in this report comply with the SIX Exchange Regulation Directive on Corporate Governance, the requirements of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), which came into force on January 1, 2014, and the Swiss Code of Obligations (SCO). Unless otherwise specified, the present Corporate Governance Report refers to the 2016 financial year, to the position at the balance sheet date of December 31, 2016, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 28, 2014. At its meeting on March 22, 2017, the Board of Directors decided to abolish the age limit in the Organizational Rules. This does not affect remuneration.

Adval Tech Holding AG's Articles of Incorporation and Organizational Rules are available on the Internet at www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules.

Governance

Overall responsibility for defining the compensation principles for Adval Tech Holding AG lies with the Board of Directors. Since the 2015 Annual General Meeting, the following maximum total compensation amounts have been proposed separately for approval by the Annual General Meeting in accordance with the Company's Articles of Incorporation:

- a) The maximum total fixed compensation of the Board of Directors for the period until the next Annual General Meeting;
- b) The maximum total fixed compensation for members of Group Executive Management for the financial year following the Annual General Meeting;
- c) The total variable compensation of the Group Executive Management (retrospectively) for the financial year preceding the Annual General Meeting.

These total amounts include all social insurance and occupational pension contributions made by the company. The General Meeting vote is binding for the total amounts approved.

According to the Company's Articles of Incorporation, the Board of Directors may submit additional or differing proposals pertaining to the same or different time periods to the Annual General Meeting for approval. Should the Annual General Meeting vote against one of the Board's proposals for approval of compensation, the Board is empowered to submit new proposals to the same Annual General Meeting or to defer voting on approval of compensation until an extraordinary Annual General Meeting or the next Annual General Meeting. Until the fixed compensation amounts are approved by the Annual General Meeting, the Board of Directors may disburse compensation provisionally pending approval.

The Company's Articles of Incorporation stipulate the following concerning bonuses for members of the Group Executive Management: If the Annual General Meeting has approved the maximum amount of fixed compensation to be paid for the fiscal year following the Annual General Meeting, the Company may apply an additional 25% of this amount per compensation period during the relevant periods for total or partial compensation of new members of the Group Executive Management or of individuals who are promoted within the Group Executive Management.

The various provisions of the Articles of Incorporation concerning compensation of members of governing bodies are set forth in Articles 20 and 26 through 29. The Company's Articles of Incorporation contain no articles regarding loans, credits and pension benefits for members of governing bodies. Direct link to

the Articles of Incorporation: <http://www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules>.

The full Board of Directors of Adval Tech Holding AG decides on the individual compensation for each separate member of the Board of Directors, the Chairman and the individual members of Group Executive Management, and makes its decision based on proposals submitted by the Nomination and Compensation Committee. All members of the Board of Directors attend the meeting on compensation of the Board of Directors, and each member of the Board of Directors has a vote on the individual compensation packages.

In connection with the 2014 ERCO regulations, the company has formed a Nomination and Compensation Committee. This consists exclusively of non-executive members of the Board. The Annual General Meeting of May 19, 2016, elected Board members Willy Michel, Michael Pieper and Roland Waibel individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting. More details on the Nomination and Compensation Committee can be found in the "Corporate Governance" section on page 46 of this Annual Report.

Structural and decision-making levels for the compensation of members of governing bodies

Type of compensation	Compensation and Nomination Committee	Compensation and Nomination Committee	Annual Meeting
Board of Directors' compensation			
Maximum total compensation for the Board of Directors for the period up to the next Ordinary General Meeting	Prepare and recommend	Propose to AGM	Approve
Individual elements of compensation for the Chairman and Board members in the preceding compensation period	Review, propose	Approve	
Group Executive Management compensation			
Maximum fixed total compensation for members of Group Executive Management for the financial year up to the next General Meeting	Recommend	Propose to AGM	Approve
Total amount of variable compensation for members of Group Executive Management for the financial year prior to the General Meeting	Recommend	Propose to AGM	Approve
Individual elements of compensation for members of Group Executive Management (basic salary and fringe benefits ¹⁾ , variable component) in the prior financial year	Review, recommend	Approve	

1) Pension fund contributions, non-cash benefits and social insurance contributions

1. COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

The remuneration for members of the Board of Directors depends on the role of the individual member (Chairman, Vice Chairman or member). The total remuneration of Board members consists of a fixed fee (approx. 80% of total remuneration), an attendance fee (approx. 10% of total remuneration) and a lump sum to cover expenses (approx. 10% of total remuneration). The Board of Directors does not receive any variable remuneration. The total remuneration of the members of the Board of Directors is disbursed in cash.

The remuneration of the members of the Board of Directors is not linked to the company's targets. As a rule, the Nomination and Compensation Committee proposes the Board of Directors' compensation, their attendance fees and their lump-sum expense allowances once a year. Based on these proposals, the full Board of Directors determines the compensation at its own discretion, without involving external advisers

or specific studies. In 2016, the Chairman of the Board of Directors received a fixed fee of CHF 60,000, while the Vice Chairman and the other members received a fixed fee of CHF 40,000. For collaboration in the Audit Committee and in the Nomination and Compensation Committee, a fixed fee of CHF 10,000 was paid per member and committee for the 2016 financial year. The fees of the members of the Board of Directors remained unchanged compared to the previous year and have not been changed since 2004. Members of the Board also received a flat fee and a reimbursement for each meeting attended. The attendance fee and lump sum to cover expenses were paid only once per day, even if several meetings were held on the same day. The rates also remained unchanged year on year and have not been changed since 2005.

The fees are paid twice a year in arrears, normally in July for the first half of the year and in January for the second half of the previous year. Disclosure covers payments for the reporting year accrued on the basis of the actual number of meetings held.

Since 2015, the Annual General Meeting has voted on the total compensation of the Board of Directors. See details in the "Governance" section on pages 55 and 56 of this remuneration report.

1.1 Remuneration of the Board of Directors for 2016 and 2015

The following tables show the compensation paid to the members of the Board of Directors in the 2016 and 2015 financial years.

Board of Directors: remuneration for the 2016 financial year (audited figures)

CHF	Position	Basic remuneration ¹⁾	Other remuneration ²⁾	Social insurance contributions	Total	Entertainment expenses ³⁾
Dr. h.c. Willy Michel ⁵⁾	Chairman	70,000	4,000	0	74,000	4,000
Michael Pieper ⁵⁾	Vice Chairman	50,000	4,000	2,427	56,427	3,200
Hans Dreier ⁴⁾	Member	50,000	7,000	3,700	60,700	5,600
Dr. Roland Waibel ^{4) 5)}	Member	60,000	7,000	5,109	72,109	5,600
Total Board of Directors		230,000	22,000	11,236	263,236	18,400

1) Fixed fee and collaboration in committees (the fee for the Chairman of the Board of Directors was paid to Techpharma Management AG, Burgdorf.)

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

The Annual General Meeting of May 19, 2016, approved maximum total compensation for members of the Board of Directors for their terms up to the 2017 Annual General Meeting in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2016 financial year and amount approved by the 2016 AGM for the period up to the 2017 AGM (audited table):

CHF	Total compensation in financial year 2016	Less compensation for the period from Jan. 1, 2016 to the 2016 AGM (5 months)	Plus compensation for the period from Jan. 1, 2017 to the 2017 AGM (5 months)	Total compensation for the period from the 2016 AGM to the 2017 AGM	Maximum total compensation approved at the 2016 AGM	Amount is within maximum limit approved by the 2016 AGM
Total Board of Directors (4 members)	281,636	144,418	144,418	281,636	320,000	Yes

The total compensation of the Board of Directors for the 2016 financial year is within the amount approved by the Annual General Meeting and was unchanged from 2015.

Board of Directors: remuneration for the 2015 financial year (audited figures)

CHF	Position	Basic remuneration ¹⁾	Other remuneration ²⁾	Social insurance contributions	Total	Entertainment expenses ³⁾
Dr. h.c. Willy Michel ⁵⁾	Chairman	70,000	4,000	0	74,000	4,000
Michael Pieper ⁵⁾	Vice Chairman	50,000	4,000	2,455	56,455	3,200
Hans Dreier ⁴⁾	Member	50,000	7,000	3,700	60,700	5,600
Dr. Roland Waibel ^{4) 5)}	Member	60,000	7,000	5,169	72,159	5,600
Total Board of Directors		230,000	22,000	11,314	263,314	18,400

1) Fixed fee and collaboration in committees (the fee for the Chairman of the Board of Directors was paid to Techpharma Management AG, Burgdorf.)

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

The Annual General Meeting of May 21, 2015 approved maximum total compensation for members of the Board of Directors for their terms up to the 2016 Annual General Meeting in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2015 financial year and amount approved by the 2015 AGM for the period up to the 2016 AGM (audited table)

CHF	Total compensation in financial year 2015	Less compensation for the period from Jan. 1, 2015 to the 2015 AGM (5 months)	Plus compensation for the period from Jan. 1, 2016 to the 2016 AGM (5 months)	Total compensation for the period from the 2015 AGM to the 2016 AGM	Maximum total compensation approved at the 2015 AGM	Amount is within maximum limit approved by the 2015 AGM
Total Board of Directors (4 members)	281,714	137,257	137,257	281,714	320,000	Yes

The total compensation of the Board of Directors for the 2015 financial year is within the amount approved by the Annual General Meeting.

The Board of Directors will propose total compensation for members of the Board of Directors for one term of office (the period from the 2017 AGM to the 2018 AGM) to the Annual General Meeting of May 18, 2017 in the amount of CHF 320,000 (2016 AGM to 2017 AGM: CHF 320,000).

2. REMUNERATION OF MEMBERS OF THE GROUP EXECUTIVE MANAGEMENT

The total compensation of members of the Group Executive Management consists of a fixed component and a variable, performance-related component.

The fixed component consists of a basic salary paid in cash, commensurate with the responsibility assumed, and fringe benefits (company car, lump sum to cover expenses). The amount of the performance-based variable components is based on predetermined financial targets.

The performance-based variable component may be paid in cash, as a combination of cash and shares, or wholly in the form of restricted Company shares. If all or part of the variable compensation is paid in the form of Company shares, the Board of Directors establishes the key factors for determining the value of the shares, such as the date and method of valuation and the length of the associated vesting periods.

No industry-specific benchmarks, external studies or advisers were used to establish compensation for members of the Group Executive Management either in the 2016 financial year or in the previous year. The members of the Group Executive Management do not attend the part of the meeting of the Board of Directors in which compensation is discussed.

2.1 Modifications to the compensation system for Group Executive Management in the 2016 financial year

The compensation system for the Group Executive Board in 2016 was unchanged from 2015. As in the 2015 financial year, the Board of Directors set two targets for determining variable compensation for Group Executive Management members:

- a) operating profit before interest and taxes (EBIT), and
- b) inventories as a fixed percentage of the Group's total income.

No additional individual targets were set in either the 2016 or the 2015 financial year.

2.2 Fixed component of total compensation

The basic salary (the fixed component of total compensation) and benefits (company car and expenses) for Group Executive Management members are based on the individual members' positions (CEO, CFO, head of IT/Logistics/Legal and head of Corporate HR/Communication) and their qualifications and career experience. The basic salary and benefits are reviewed annually by the Board of Directors on the basis of proposal made by the Nomination and Compensation Committee and fixed at the Board's discretion. Where applicable, the basic salary and benefits are adjusted for the following year on the basis of the proposal made by the Nomination and Compensation Committee.

2.3 Variable performance-based component of total compensation

The Nomination and Compensation Committee proposes a target figure for the variable component – the target bonus – to the Board of Directors once a year. The definitive variable, performance-based component is established by the full Board of Directors when an assessment of target attainment is available. It is paid out in May of the following year, subject to the approval of the Annual General Meeting.

In 2016 the CEO's target bonus was 56% and that of the other Group Executive Management members was 45% of their basic salary (previous year: 56% for the CEO and 41% for the other members).

To determine the actual bonus, the degree of attainment of the following two financial targets in the 2016 reporting period was established:

- The Adval Tech Group's actual absolute EBIT compared to the budget, with a weighting of 75% in the total bonus. If the actual figure is below 75% of the budget target, the bonus component is zero. If target attainment is above 75% the bonus is calculated proportionately. 100% target attainment corresponds to the target bonus component for EBIT. If target attainment is 150% or higher, the bonus is limited to 200% of the target bonus.
- Actual improvement in inventories as a percentage of total income compared to the predetermined target figure for inventories as a percentage of total income, each figure measured in percentage points, with a weighting of 25% in the total bonus. 100% target attainment represents achieving the specified target figure for inventories as a percentage of total income (measured in percentage points). Any improvement in this indicator (provided the improvement over the target is greater than 0 percentage points) is used as the basis for a proportionate calculation on a linear basis of the bonus component. If an improvement of three percentage points compared to the predetermined figure is achieved, the bonus element is limited to 200% of the target bonus.

Bonus structure and weighting of targets, 2016 reporting period

Criterion	Definition	Weighting	Target attainment		
EBIT	Absolute actual EBIT vs. budgeted EBIT	75%	Minimum 75%	100%	150%
			If below, no bonus	Equal to target bonus	Maximum (cap) of 200% of target bonus
Improvement in inventories	Actual improvement in inventories as % of total income vs. predetermined target figure (in % points)	25%	Predetermined target (in %) missed or precisely met	Predetermined target (in %) exceeded by 1.5 % points	Target (in %) exceeded by ≥ 3.0 % points
			No bonus	Equal to target bonus	Maximum (cap) of 200% of target bonus

The bonus structure for the 2016 financial year was unchanged from the previous year. In general, a portion (as a rule no less than 20%, no more than 100%) of the variable remuneration of Group Executive Management is paid out in shares. The number of shares granted is based on the average price of the registered shares in February of the year following the financial year. The shares granted as variable compensation vest in five years. The cost of variable remuneration in cash and shares is recognized on an accrual basis. The variable remuneration component can range from zero to 112% of the fixed component.

At the request of the Nomination and Compensation Committee, when assessing attainment of the financial targets for the 2016 financial year, the Board of Management took account of the sale of the Molds segment (FOBOHA companies) and adjusted the financial targets accordingly. The sale of the Molds segment was completed on August 31, 2016.

Members of the Group Executive Management will receive 79.3% of the variable component for the 2016 financial year in cash (CHF 623,596) and 20.7% in shares (CHF 162,855). The corresponding figures for 2015 were 80% cash (CHF 502,949) and 20% in shares (CHF 122,397).

Subject to approval of the Annual General Meeting, for the year under review, the ratio of variable compensation to base compensation is 80% for the CEO and 64% for the other members of the Group Executive Management (previous year: 67% for the CEO and 52% or above for other members).

2.4 Compensation paid to the Group Executive Management for the 2016 and 2015 financial years (audited figures)

The following table shows the fixed and variable compensation and total compensation paid to Group Executive Management for 2016 and 2015:

CHF	2016		2015	
	Group Management (4 members)	Of which highest single compensation payment ¹⁾	Group Management (5 members)	Of which highest single compensation payment ¹⁾
Basic remuneration in cash	1,134,000	360,000	1,098,000	360,000
Other fixed remuneration in cash ²⁾	36,657	7,685	37,965	8,146
Other fixed remuneration in cash	335,239	103,587	322,716	103,519
Total fixed remuneration	1,505,896	471,273	1,458,681	471,665
Variable remuneration in cash	623,596	227,563	502,949	193,493
Share-based remuneration ³⁾	162,855	59,925	122,397	49,048
Total variable remuneration	786,451	287,488	625,346	242,541
Total management remuneration	2,292,347	758,761	2,084,027	714,206
Entertainment expenses	64,800	18,000	64,800	18,000

1) CEO René Rothen

2) Company cars, child allowances

3) Allocation of shares in Advall Tech Holding AG as described in chapter 2.3 on page 60 and note 22 on page 96 of the Financial report.

The total fixed compensation of CHF 1,505,896 paid to members of the Group Executive Board for the 2016 financial year is within the maximum fixed total compensation of CHF 1,590,000 approved by the Annual General Meeting on May 21, 2015.

The Annual General Meeting on May 19, 2016, retrospectively approved the proposed variable compensation of CHF 625,346 for the members of the Group Executive Management for the 2015 fiscal year.

The total compensation for the members of the Group Executive Management for the 2016 financial year (which is contingent upon approval of their variable compensation by the 2017 Annual General Meeting), is CHF 208,320 higher than the compensation for the previous year (+10%). The increase in the basic salaries of the members of the Group Executive Management totalled CHF 36,000. The adjustment reflects their performance.

Based on the results for the 2016 financial year, variable compensation of CHF 786,451 has been calculated. That is CHF 161,105 more than for the 2015 financial year. The variable compensation will be put to the 2017 Annual General Meeting for retrospective approval. The increase in total compensation for the 2016 financial year leads to a corresponding increase in social security contributions.

The Annual General Meeting of May 19, 2016, approved maximum fixed total compensation for members of Group Executive Management of CHF 1,625,000 for the 2017 financial year. The fixed compensation figures for 2017 and a statement of the amount actually paid compared with the amount approved by the Annual General Meeting will be included in the 2017 Compensation Report.

At the Annual General Meeting on May 18, 2017, the Board of Directors will propose that maximum total fixed compensation of CHF 1,675,000 be approved for the members of the Group Executive Management for 2018. At the same time, it will propose that total variable compensation of CHF 786,451 be approved for the members of the Group Executive Management for 2016 (see above table: Compensation paid to the Group Executive Management for the 2016 and 2015 financial years).

3. BENEFITS AND CONTRACTUAL CONDITIONS ON LEAVING THE COMPANY

Contracts of employment with the members of the Group Executive Management do not include any exceptionally long terms of notice. The contracts may be temporary for up to twelve months; the maximum notice period for permanent contracts is twelve months. In the 2016 reporting period, termination notice periods for permanent employment contracts of Group Executive Management members were unchanged, ranging from six to twelve months. With effect from January 2017, the notice periods in the employment contracts of Group Executive Management members has been set uniformly at twelve months. The contracts of employment with members of the Group Executive Management do not contain a non-compete clause for the period after their employment ends. The five-year vesting period for shares allotted as part of the variable remuneration is not cancelled when members of Group management step down. Contracts of employment with directors and officers and other members of management holding key posts in the company do not contain any change of control clauses.

4. SHARE OWNERSHIP

As at December 31, 2016, the individual members of the Board of Directors and Group Executive Management (including associated persons) held the following numbers of shares in the company (audited figures):

Name	Position	12/31/2016 (Number)	12/31/2015 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	172,687	172'674
Michael Pieper	Vice Chairman of the Board	156,686	156'686
Hans Dreier	Member of the Board of Directors, Head IT/Logistics/Legal	13,457	13'292
Dr. Roland Waibel	Member of the Board of Directors	200	200
René Rothen	CEO	957	626
Markus Reber	CFO	493	328
Valeria Poretti-Rezzonico	Head Corporate HR/Communication	440	275

The increase in shareholdings of the Group Executive Management is due to the shares granted in 2016 under the bonus program.

5. OTHER COMPENSATION, LOANS AND ADVANCES TO DIRECTORS AND OFFICERS OR ASSOCIATED PERSONS

The company did not grant any other remuneration, loans or credit to directors and officers or associated persons, either in the 2016 financial year, or in the previous year.

6. COMPENSATION FOR FORMER DIRECTORS AND OFFICERS

No compensation was paid to former members of governing bodies in the 2016 reporting period.



Report of the statutory auditor to the General Meeting of Adval Tech Holding AG Niederwangen b. Bern

We have audited the remuneration report of Adval Tech Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 57 to 63 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**Opinion**

In our opinion, the remuneration report of Adval Tech Holding AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A blue ink signature of Hanspeter Gerber, written in a cursive style.

Hanspeter Gerber
Audit expert
Auditor in charge

A blue ink signature of Jonas König, written in a cursive style.

Jonas König
Audit expert

Bern, 23 March 2017

**FINANCIAL REPORT OF THE
ADVAL TECH GROUP FOR 2016**

CONSOLIDATED BALANCE SHEET

CHF 1,000	Notes	12/31/2016	12/31/2015
Liquid assets	5	53,871	15,990
Trade accounts receivable	6	28,761	37,587
Other receivables	7, 36	6,024	5,958
Advance payments to suppliers		7,641	1,322
Inventories and work in progress	8	23,210	43,500
Prepaid expenses and accrued income	9	1,414	2,118
Total current assets		120,921	106,475
Tangible fixed assets	10	60,329	76,149
Financial assets	11	4,865	5,926
Intangible assets	12	5,745	9,700
Assets from employer's contribution reserves	27	267	996
Deferred tax assets	21	1,427	1,947
Total fixed assets		72,633	94,718
Total assets		193,554	201,193
Trade accounts payable	13	14,961	15,840
Short-term interest-bearing liabilities	14, 16, 19	1,550	14,326
Other short-term liabilities	15, 36	16,509	21,799
Prepaid income and accrued expenses	17	15,352	13,457
Short-term provisions	20	4,567	1,208
Accrued current income taxes		867	406
Total short-term liabilities		53,806	67,036
Long-term interest-bearing liabilities	16, 18, 19	1,655	61,589
Other long-term liabilities		0	1,746
Long-term provisions	20	4,680	3,202
Deferred tax liabilities	21	181	3,009
Total long-term liabilities		6,516	69,546
Total liabilities		60,322	136,582
Share capital	22	14,600	14,600
Capital reserves		130,525	146,809
Treasury shares		-190	-96
Goodwill offset		-61,598	-53,695
Translation differences		-2,704	-10,103
Hedging transactions		0	0
Retained earnings/accumulated losses		52,599	-32,904
Total shareholders' equity		133,232	64,611
Total liabilities and shareholders' equity		193,554	201,193

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	2016	2015
Net sales from goods and services		186,871	160,626
Income from manufacturing orders (valued using the percentage-of-completion method)		45,043	54,611
Net turnover	23, 33	231,914	215,237
Change in inventories of semi-finished and finished goods		-11,042	2,933
Own work capitalized		478	2,219
Other operating income	24	5,742	3,952
Total income	30	227,092	224,341
Cost of materials and services	25	-99,196	-94,975
Personnel expenses	26, 27	-75,559	-73,934
Other operating expenses	28	-29,959	-31,048
Operating expenses		-204,714	-199,957
Operating earnings before depreciation (EBITDA)		22,378	24,384
Depreciation on tangible fixed assets	10	-12,501	-13,259
Amortization on intangible fixed assets	12	-1,547	-1,289
Depreciation		-14,048	-14,548
Operating earnings (EBIT)		8,330	9,836
Financial income	29	2,992	4,674
Financial expenses	29	-5,647	-11,574
Net financial income		-2,655	-6,900
Ordinary result		5,675	2,936
Extraordinary result	30	34,687	-403
Non-operating result		0	0
Net result before income taxes		40,362	2,533
Income taxes	21, 31	-617	-1,933
Net result after income taxes		39,745	600
Net result after income taxes per share (CHF)¹⁾	32	54.45	0.82

1) There is no dilutive effect

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

SHAREHOLDERS' EQUITY

CHF 1,000	Share capital	Capital reserves	Treasury shares	Share of goodwill offset	Translation difference	Ret. earnings acc. losses	Total share-holders' equity
at January 1, 2015	14,600	146,809	-99	-53,695	-5,647	-33,504	68,464
Net result after income taxes	0	0	0	0	0	600	600
Translation differences	0	0	0	0	-4,456	0	-4,456
Increase/decrease in share capital	0	0	0	0	0	0	0
Changes from sales of investments	0	0	0	0	0	0	0
Changes from purchases of investments	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Purchase/sale of treasury shares	0	0	3	0	0	0	3
at December 31, 2015	14,600	146,809	-96	-53,695	-10,103	-32,904	64,611
Net result after income taxes	0	0	0	0	0	39,745	39,745
Translation differences	0	0	0	0	3,091	0	3,091
Increase/decrease in share capital	0	0	0	0	0	0	0
Changes from sales of investments	0	-16,284	0	5,115	4,308	45,758	38,897
Changes from purchases of investments	0	0	0	-13,018	0	0	-13,018
Dividends	0	0	0	0	0	0	0
Purchase/sale of treasury shares	0	0	-94	0	0	0	-94
at December 31, 2016	14,600	130,525	-190	-61,598	-2,704	52,599	133,232

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	2016	2015
Net result after income taxes		39,745	600
Scheduled depreciation on tangible fixed assets	10	12,501	13,259
Impairment of tangible fixed assets	10	8,572	0
Scheduled amortization on intangible assets	12	1,547	1,289
Impairment of intangible assets	12	2,410	0
Increase (+) / decrease (-) in long-term and short-term provisions	20	4,647	-181
Increase (+) / decrease (-) in provision for deferred income taxes (net position)	19	-1,134	-154
Gain (-) / loss (+) on sales of tangible fixed assets		-26	-98
Other transactions with no impact on liquidity		-55,334	4,396
<i>Cash flow from operating activities before change in net current assets</i>		<i>12,928</i>	<i>19,111</i>
Increase (-) / decrease (+) in receivables		-8,523	4,593
Increase (-) / decrease (+) in inventories		9,597	-1,621
Increase (-) / decrease (+) in prepaid expenses and accrued income		-12,937	-405
Increase (+) / decrease (-) in trade accounts payable		-2,044	-5,291
Increase (+) / decrease (-) in other short-term liabilities, prepaid income and accrued expenses		15,955	2,336
Cash flow from operating activities		14,976	18,723
Capital expenditure	10	-7,579	-9,216
Income from sales of tangible fixed assets	10	382	209
Investments in financial assets	11	-235	-2,538
Income from sales of financial assets	11	0	0
Investments in intangible assets	12	0	-2,194
Income from sales of intangible assets	12	0	0
Net cash outflow from investments in financial assets		-14,589	0
Net cash inflow from divestments of financial assets		117,603	0
Cash used for investing activities		95,582	-13,739
Free cash flow		110,558	4,984
Dividend paid		0	0
Capital contributions (repayments)		0	0
Purchase (-) / sale (+) of treasury shares		-218	-142
Raise of loans from rescheduling		0	0
Repayment of loans from rescheduling		0	0
Increase (+) / decrease (-) in short-term interest-bearing liabilities	13	-21,921	7,873
Increase (+) / decrease (-) in long-term interest-bearing liabilities	17	-50,984	-14,808
Cash flow from financing activities		-73,123	-7,077
Translation differences		446	-1,075
Changes in liquid assets		37,881	-3,168
Liquid assets on December 31		53,871	15,990
Liquid assets on January 1		15,990	19,158
Changes in liquid assets		37,881	-3,168

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

1.1 Principles of preparing the financial statements

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

They have been prepared in conformity with the full regulatory framework of Swiss GAAP FER, as issued by the Foundation for Accounting & Reporting Recommendations. The consolidated financial statements provide a true and fair view of the company's financial position, results of operations and cash flows.

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. This does not apply to derivative financial instruments, which are 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 at the 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 turnover, PoC method), tangible fixed assets (useful lives), intangible assets (useful lives, impairment calculations), assets and liabilities from the acquisition and disposal of business entities (purchase price adjustments that had not been finalized by the reporting date), provisions and deferred taxes (recognition for tax loss carryforwards).

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, change of control or incorporation. On that date, assets and liabilities are valued using the principles of the Adval Tech Group based on Swiss GAAP FER. Transaction costs are added to the purchase price. Any positive difference between the purchase price and the shareholders' equity of the acquired company after revaluation (goodwill) is offset against the Group's shareholders' equity on the date of acquisition. Any negative capital offsetting difference (negative goodwill) is added to shareholders' equity on the date of acquisition. Conditional future payments are included in the purchase price on the date of acquisition and regularly reappraised thereafter. Companies are included in the consolidation according to the following methods:

- Companies in which Adval Tech Holding AG 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. In such cases the interests can optionally be stated in the balance sheet at fair value or as a proportion of the value of the net assets of the company acquired. Accounts receivable, accounts payable, income and expenses between Group companies are 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 interests of **less than 20%**, are included in the balance sheet at purchase prices less any value adjustment.
- Group companies remain within the scope of consolidation until the date of sale, transfer of control or liquidation. Sales costs are deducted from sales proceeds. When units are sold, the attributable goodwill paid when they were purchased will, if offset against equity at the time of purchase, be re-capitalized and subsequently offset against the sales proceeds less net assets sold and transaction costs. Future proceeds from the sale of investments that are contingent upon specific conditions are only be recognized if settlement is probable as at the reporting date and they can be reliably estimated.

The companies included in the scope of consolidation and the exchange rates applied are listed in Note 4 to the consolidated financial statements.

1.3 Foreign currency translation

The consolidated financial statements are drawn up in Swiss francs (CHF), the 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 (functional currency).

The Group applies the following principles in respect of *foreign currency translation*:

- The balance sheets of companies which do not prepare their financial statements in the Group's reporting currency are translated at year-end exchange rates and 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 Derivative financial instruments

Derivative financial instruments are always stated at market value. Adjustments to market value are made via the income statement or in certain cases with no impact on income (hedge accounting).

1.5 Liquid assets

Liquid assets include cash, credit balances on postal and bank accounts as well as time deposits maturing within 90 days and marketable, short-term cash deposits as well as readily realizable securities which can be converted into liquid funds at any time. Bank accounts with negative balances are included in current liabilities.

1.6 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 up to one year and that portion of long-term assets maturing within one year. Receivables of more than CHF 10,000 are depreciated individually. The depreciation requirement is based on estimates, empirical evidence and the age structure of the receivables, bankruptcy filings already known of, legal proceedings as well as political effects. In the case of receivables valued at less than CHF 10,000, which have been not depreciated individually, the credit risk is accounted for according to this age classification:

Receivable overdue for	Valuation allowance
90 to 180 days	50%
181 to 360 days	75%
more than 360 days	100%

1.7 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. Discounts are regarded as reductions in the cost of acquisition. Inventory risks are identified by means of coverage analyses and individual observation, and provisions are made accordingly. Long-term orders are stated according to the percentage-of-completion method (PoC 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.

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.

1.8 Assets held for sale

Long-term assets whose book value is realized essentially by their sale, usually within one year, rather than by further operational utilization, are stated separately as a short-term item in the consolidated balance sheet. They are stated at the lower of book value or disposal value less cost of disposal.

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. Interior finishing of the buildings and their equipment are amortized over 8 to 15 years. For plant and machinery we apply a useful life of 5 to 15 years, for especially long-lived machinery up to 25 years. For workshop, storage and office equipment included in "Other tangible fixed assets" and for vehicles and IT hardware and software we assume a useful life of 3 to 15 years. Leased fixed assets are amortized over the planned duration of the project. 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 a longer useful life. Interest expenses arising during the erection of the plant are debited to income.

1.10 Financial assets

Financial assets consist of investment holdings consolidated using the equity method, other investments, securities that are by nature long-term investments and long-term loans to third or related parties. They are valued at acquisition cost less any value adjustment. This also includes receivables under finance leases. The Adval Tech Group concludes finance lease agreements with its customers in the course of its operating business. These agreements are concluded for the tools, molds and equipment used for serial component manufacture. They are recognized at their net present value on the relevant reporting date less any impairment. Income from accrued interest on receivables is recognized as interest income. Any gain on the manufacture of operating equipment is recognized in the income statement when the equipment is put into operation; provisions are recognized for any loss when the loss becomes foreseeable.

1.11 Intangible assets

Acquired patents, licenses and trademarks are valued at acquisition or manufacturing cost if their earnings potential can be reliably estimated and if the other applicable criteria of Swiss GAAP FER 10 are fulfilled.

Research costs are recognized in the income statement. Expenditure on in-house development projects is capitalized as development costs at manufacturing cost or the maximum realizable value of their benefits and amortized over the expected useful life, of the projects, not exceeding 10 years, if their earnings potential can be reliably estimated.

Other discernible intangible assets arising from acquisitions, such as customer relationships or orders in hand, are stated in the balance sheet at market value as "Other intangible assets". These are amortized over their expected useful life using the straight-line method. In the case of capitalized development costs this is 5 to 10 years. In the case of other intangible assets it is 4 to 10 years.

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 recognized under current or non-current liabilities at their present value.

1.13 Impairment of assets

If there is evidence of impairment of assets, their realizable value is estimated. Impairments are posted to income if the carrying value of an asset is higher than its realizable value; this is the higher of the net disposal value and the value in use of an asset, which corresponds to the net present value of the estimated future cash flow.

1.14 Liabilities

Trade accounts payable, prepaid income as well as current and non-current financial liabilities are valued at ongoing acquisition values.

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 the balance sheet date and the influence on the result is material. Net present values are adjusted via financial expenses.

1.16 Pensions, Payments to employees

Various pension plans exist within the Adval Tech Group, governed by local conditions in the countries concerned. They are financed either by contributions to legally independent pension providers (foundations, insurers), by contributions to state pension schemes in the context of the legal framework in the country concerned or by the creation of reserves for pension liabilities. An annual assessment is made as to whether a financial benefit or a financial liability exists from the standpoint of the Group. A corresponding sum is stated in the balance sheet. The expenses for the period correspond to the contributions by the employer and the change in the financial benefit or financial liability.

Provisions are made for further benefit claims by employees, such as claims to long-service bonuses, on the basis of conditions of employment.

1.17 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 valuation of assets and liabilities using uniform principles on January 1, 1996, is posted to capital reserves. The change in reporting standards from commercial law to Swiss GAAP FER, combined with a revaluation of assets, was made on this date. The share premium arising from increases in share capital and from income from the purchase or sale of treasury stock are also included here.
- Retained earnings include all gains and losses generated by the Group itself since January 1, 1996, and not distributed, together with goodwill offset against shareholders' equity.

1.18 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. The percentage of completion is calculated using the cost-to-complete method. Discounts granted are regarded as sales deductions.

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

1.19 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 drawn up 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.

1.20 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 Executive Management are deemed to be related parties. Organizations directly or indirectly controlled by related parties are also deemed to be related parties.

1.21 Share-based payment

A part (no less than 20%, no more than 100%) of the variable remuneration of the Group Executive Management and other members of management is disbursed in shares. The number of shares allotted is calculated on the basis of the average price of the registered shares in February of the year following the financial year. The cost of variable remuneration in cash and shares is recognized as personnel expenses for the period in question. The shares allotted as variable remuneration cannot be sold for 5 years.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risks

The Adval Tech Group is exposed to various financial risks in the context of its business activities, such as currency risks, interest rate risks, credit risks and liquidity risks. It seeks through systematic management to minimize any adverse effects of the related fluctuations on its financial results.

The Group's financial risk management is conducted centrally by the Group Finance Department in close cooperation with the finance departments of the segments and companies. For its financial risk management, the Group occasionally utilizes derivative financial instruments.

2.2 Interest rate risk

There are no material interest-bearing assets, so income and cash flow from operations remain unaffected by changes in market interest rates.

The Group utilizes mainly variable interest-bearing credits in Swiss francs for external financing; these entail a cash flow interest rate risk. Derivative financial instruments are utilized in some cases to hedge cash flow interest rate risks.

2.3 Credit risk

Credit risks can arise on liquid assets, credit balances with financial institutions and receivables from customers. Liquid assets and credit balances with financial institutions are for the most part invested with banks having a credit rating of at least A. Local banks are sometimes also used due to prevailing local conditions at subsidiaries.

Credit risks are minimized by continuous monitoring of overdue payments from counterparties and by verifying the creditworthiness of new business partners. Any necessary provisions are made or released continuously against income. These activities are primarily pursued at the local level. Due to the differences in business models and customer structures, no generally valid credit limits for the Group as a whole are applied. Depending on transaction and customer, credit risks can be hedged by means of letters of credit or bank guarantees.

2.4 Currency risks

The Adval Tech Group is exposed to currency risks by virtue of its international activities. The currency risk is reduced primarily by direct offsetting of payments flows in foreign currencies. Derivative financial instruments are utilized on a case-by-case basis to reduce exchange risks further. The utilization of these hedging instruments is coordinated centrally.

In principle, only risks arising from the operating activities are hedged.

2.5 Liquidity risk

The Adval Tech Group monitors the liquidity risk by means of prudent liquidity management. Available liquidity and compliance with financial covenants under the syndicated loan agreement are continuously monitored at Group level.

3. SUBTOTALS ON THE INCOME STATEMENT AND CASH FLOW STATEMENT

The Adval Tech Group uses subtotals in its financial report that are not defined in Swiss GAAP FER. These figures are used to enhance the information value of the income statement and cash flow statement. The following subtotals are used:

3.1 Income statement

Total income:	Net turnover, plus or minus change in inventories of finished and semi-finished goods, plus capitalized internally produced assets, plus other operating income.
EBITDA:	Total income less cost of goods sold and outsourced services, payroll and other operating expenses.
EBIT:	EBITDA less depreciation and amortization.

3.2 Cash flow statement

Cash flow from operating activities before changes in NCA:	Net result after income taxes plus depreciation and amortization plus or minus change in short-term and long-term provisions, change in provisions for deferred income taxes, gain/loss on sales of tangible fixed assets, other transactions with no impact on liquidity.
Free cash flow:	Sum of cash flow from operating activities and cash flow from investing activities.

4. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

Company	Registered office	Share capital	Equity holding
Adval Tech Holding AG	Niederwangen, Switzerland	TCHF	14,600
Adval Tech Management AG	Niederwangen, Switzerland	TCHF	100
Adval Tech Immobilien AG	Niederwangen, Switzerland	TCHF	100
Styner+Bienz FormTech AG	Niederwangen, Switzerland	TCHF	3,050
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939
Styner+Bienz US Inc.	Cleveland, OH, USA	TUSD	1
Adval Tech Holding (Germany) GmbH	Endingen, Germany	TEUR	25
Fischer IMF GmbH & Co. KG	Endingen, Germany	TEUR	1,132
Fischer IMF Verwaltungs-GmbH	Endingen, Germany	TEUR	51
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TUSD	3
Adval Tech (Hungary) Kft.	Székszárd, Hungary	TEUR	990
Adval Tech (Grenchen) AG	Grenchen, Switzerland	TCHF	2,000
Adval Tech Holdings (Asia) Pte. Ltd	Singapore	TUSD	13,517
Adval Tech (Thailand) Co. Ltd	Rayong, Thailand	TTHB	40,000
Adval Tech (Suzhou) Co. Ltd	Suzhou, China	TUSD	9,660
Adval Tech (Malaysia) Sdn. Bhd.	Johor, Malaysia	TUSD	505
Omni Plastics (Shanghai) Co. Ltd	Shanghai, China	TUSD	1,100
Omni Engineering Shanghai Co. Ltd	Shanghai, China	TUSD	2,800

In the reporting period, Adval Tech Holding AG acquired all shares in the following entities, either directly or indirectly:

- Adval Tech Holding (Germany) GmbH, Endingen am Kaiserstuhl: The purchase from third parties took place in connection with the acquisition of 100% of the shares in Fischer IMF GmbH & Co. KG. The purpose of the company is to acquire and sell, hold and manage equity interests and properties. Concurrently with the acquisition of the shares in Fischer IMF GmbH & Co. KG and Fischer Verwaltungs-GmbH, Adval Tech Holding (Germany) GmbH acquired the operating property of Fischer IMF GmbH & Co KG in Endingen, which it rents out to Fischer IMF GmbH & Co. KG.
- Fischer IMF GmbH & Co. KG, Endingen am Kaiserstuhl: This company manufactures tools for the production of stamped and formed metal parts and produces metal components and modules, primarily for the automotive market.
- Fischer Verwaltungs-GmbH, Endingen am Kaiserstuhl: This company is the general partner in Fischer IMF GmbH & Co. KG.

As of April 1, 2016 the pro forma consolidated balance sheet values of the companies acquired were as follows:

CHF 1,000	04/01/2016
Receivables	5,668
Inventories	11,892
Prepaid expenses and accrued income	98
Current assets	17,658
Tangible fixed assets	13,505
Non-current assets	13,505
Total assets	31,163
Short-term liabilities	17,844
Prepaid income and accrued expenses	13,025
Short-term debt	30,869
Long-term debt	1,831
Liabilities	32,700
Shareholders' equity	-1,537
Total liabilities & shareholders' equity	31,163

Recognition is based on the accounting principles of the Adval Tech Group. The purchase price for the shares in Fischer IMF GmbH & Co. KG comprises a fixed and a variable portion. The variable portion depends on business performance in the period from April 1, 2016 to December 31, 2016. Further, short-term liabilities contain compensation payments to the sellers for advance financing of projects. These payments are made as soon as the projects are completed and payment for each project has been completed.

It was agreed with the sellers not to disclose the purchase price. The final talks with the sellers on determination of the variable purchase price payments had not been completed as of the date of preparation of the consolidated financial statements for the Adval Tech Group. The outstanding purchase price liabilities were therefore accounted for on the basis of a prudent estimate.

Further, Adval Tech Holding AG established Adval Tech Immobilien AG, Niederwangen, Switzerland. The purpose of this company is to hold and manage real estate. Following its establishment, this company purchased the operating property of FOBOHA (Switzerland) AG in Muri (Aargau).

Discontinued operations

100% of the shares in the following companies were sold to third parties in the reporting period: FOBOHA (Switzerland) AG Muri, Switzerland, FOBOHA Holding GmbH Haslach, Germany together with their affiliates in (FOBOHA (Germany) GmbH and FOBOHA US Inc.). and FOBOHA (Suzhou) Co. Ltd (indirectly via Adval Tech Holdings (Asia) Pte.). The companies divested are included in the financial reporting on the period under review as the Molds segment.

The companies divested produce plastic injection molds and systems for top performance and productivity, which are sold principally to the consumer goods market. The turnover and operating earnings of the entities divested are presented in Note 33. The figures are consolidated in the reporting period up to the date of sale.

As of August 31, 2016 the pro forma consolidated balance sheet data for the entities divested were as follows:

CHF 1,000	04/01/2016
Liquid assets	11,360
Receivables	15,619
Inventories	22,897
Prepaid expenses and accrued income	192
Current assets	50,068
Tangible fixed assets	16,100
Financial assets	1,716
Non-current assets	17,816
Total assets	67,884
Short-term liabilities	18,956
Prepaid income and accrued expenses	5,414
Short-term debt	24,370
Long-term debt	9,980
Liabilities	34,350
Shareholders' equity	33,534
Total liabilities & shareholders' equity	67,884

The sale took place at a fixed price of CHF 133 million based on enterprise value. It was also agreed with the sellers that a compensation payment would be made for liquid assets, financial debt and the difference between net current assets and an agreed target amount on the transaction date. On the disposal date, the provisional amount was settled on the basis of an estimate. The talks to determine the final amount to be paid for the liquid assets, financial debt and net current assets had not been finalized by the reporting date for the consolidated annual financial statements. The settlement amount was accrued in the balance sheet on the basis of a prudent estimate.

In the previous year Adval Tech (Mexico) S.A. de C.V. was founded as a new company and commenced operations in the second half of 2015. Its main activity is supplying plastic components to the automotive industry in Mexico. QSCH Kft was renamed Adval Tech (Hungary) Kft in 2015 as part of the brand strategy.

Exchange rates

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

	On Dec. 31, 2016	Average in 2016	On Dec. 31, 2015	Average in 2015
BRL	0.31328	0.28395	0.25369	0.29290
CNY	0.14737	0.14832	0.15265	0.15450
EUR	1.07177	1.09010	1.08261	1.06800
HKD	0.13217	0.12690	0.12784	0.12410
THB	0.02847	0.02792	0.02744	0.02810
USD	1.02522	0.98500	0.99081	0.96230

5. LIQUID ASSETS

Liquid assets include:

CHF 1,000	12/31/2016	12/31/2015
Cash	16	34
Postal account	5	52
Banks	43,024	14,923
Fixed-term deposits	10,718	0
Short-term deposits	108	981
Total liquid assets	53,871	15,990

The short-term deposits comprise call money with a maximum maturity of 30 days.

6. TRADE ACCOUNTS RECEIVABLE

CHF 1,000	12/31/2016	12/31/2015
Total trade receivables (gross)	29,173	38,533
Impairment charges (allowance for doubtful receivables)	-412	-946
Total trade receivables (net)	28,761	37,587
of which: trade receivables from third parties	28,755	37,587
of which: trade receivables from related parties	6	0

CHF 4.4 million of receivables was overdue on the balance sheet date (previous year: CHF 7.4 million), of which CHF 1.4 million by more than 30 days (previous year: CHF 3.5 million).

In the past three years losses on receivables have been in the region of 0.1% of total income. Provisions for receivables are as follows:

CHF 1,000	2016	2015
Total on January 1	-946	-1,000
Provision made	-46	-124
Utilized	5	86
Released	251	59
Changes in the scope of consolidation	332	0
Currency translation differences	-8	33
Total on December 31	-412	-946

7. OTHER RECEIVABLES

CHF 1,000	12/31/2016	12/31/2015
Positive fair values of derivative financial instruments	0	1
Other current receivables, third parties	5,719	5,957
Other current receivables, related parties	305	0
Total other receivables	6,024	5,958

8. INVENTORIES AND WORK IN PROGRESS

CHF 1,000	12/31/2016	12/31/2015
Trading goods	878	7,988
Raw material	5,769	4,405
Semi-finished and finished goods	15,917	22,502
Work in progress long-term orders	8,996	16,157
Work in progress other orders	2,248	8,747
Provisions	-10,598	-16,299
Total inventories and work in progress	23,210	43,500

Total inventories and work in progress includes CHF 1.0 million stated at net realizable value (previous year: CHF 2.3 million). The sale of the Molds segment contributed to the substantial reduction in inventories and work in progress.

Long-term orders valued according to the PoC method are as follows:

CHF 1,000	12/31/2016		12/31/2015	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term orders	9,020	-24	28,062	-11,905
Advance payments by customers	-24	1,398	-11,905	20,602
Net assets from work in progress long-term orders	8,996	0	16,157	0
Net liabilities from work in progress long-term orders	0	1,374	0	8,697

The manufacturing costs of orders valued using the percentage-of-completion method totalled CHF 8.0 million (CHF 20.6 million in 2015). The stated income was CHF 1.0 million (CHF 6.2 million in 2015). Advance payments by customers for work in progress on other orders have also been offset against inventories.

CHF 1,000	12/31/2016		12/31/2015	
	Assets	Liabilities	Assets	Liabilities
Work in progress other orders	2,660	-412	9,317	-570
Advance payments by customers	-412	4,835	-570	8,311
Net assets from work in progress other orders	2,248	0	8,747	0
Net liabilities from work in progress other orders	0	4,423	0	7,741

Net liabilities arising from work in progress, both long-term and other orders, are stated in the balance sheet under "Other current liabilities."

9. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income amounted to CHF 1.4 million in the year under review, CHF 0.7 million lower than the previous year's figure (CHF 2.1 million). The reduction was attributable to the Components segment, the sale of the Molds segment, and to Group companies.

10. TANGIBLE FIXED ASSETS

The development of the Group's tangible fixed assets is shown in the following summary:

	Land	Buildings	Production equipment and machinery	Other tangible assets	Leased equipment	Installations under construction	Total
CHF 1,000							
at cost							
at January 1, 2015	4,774	67,210	147,540	34,979	7,159	4,679	266,341
Changes in the scope of consolidation	0	0	0	0	0	0	0
Capital expenditure	0	487	7,825	1,152	169	-2,444	7,189
Disposals	0	-1,775	-2,683	-714	0	-31	-5,203
Change in acc. translation difference	-108	-1,777	-7,148	-1,675	2	-232	-10,938
at December 31, 2015	4,666	64,145	145,534	33,742	7,330	1,972	257,389
Changes in the scope of consolidation	-267	-3,632	-48,761	-13,621	0	0	-66,281
Capital expenditure	700	452	3,988	1,725	1,205	77	8,147
Disposals	0	-4,055	-7,571	-1,595	-71	-208	-13,500
Other changes/transfers	-4	-1,607	-18,806	-2,180	-441	0	-23,038
Change in acc. translation difference	-18	-6	1,552	262	11	50	1,851
at December 31, 2016	5,077	55,297	75,936	18,333	8,034	1,891	164,568
Accumulated depreciation							
at January 1, 2015	0	-36,081	-110,227	-28,117	-6,246	0	-180,671
Changes in the scope of consolidation	0	0	0	0	0	0	0
Scheduled depreciation	0	-2,301	-8,318	-2,146	-494	0	-13,259
Impairment	0	0	0	0	0	0	0
Disposals	0	1,730	2,676	684	0	0	5,090
Change in acc. translation difference	0	564	5,732	1,306	-2	0	7,600
at December 31, 2015	0	-36,088	-110,137	-28,273	-6,742	0	-181,240
Changes in the scope of consolidation	0	4,722	46,778	12,214	0	0	63,714
Scheduled depreciation	0	-2,589	-7,599	-1,967	-346	0	-12,501
Impairment	0	-3,896	-3,592	-1,084	0	0	-8,572
Disposals	0	4,020	7,512	1,529	71	0	13,132
Other changes/transfers	0	1,608	18,904	2,085	441	0	23,038
Change in acc. translation difference	0	-102	-1,455	-221	-32	0	-1,810
at December 31, 2016	0	-32,325	-49,589	-15,717	-6,608	0	-104,239

	Land	Buildings	Production equipment and machinery	Other tangible assets	Leased equipment	Installations under construction	Total
CHF 1,000							
Book values							
at January 1, 2015	4,774	31,129	37,313	6,862	913	4,679	85,670
at December 31, 2015	4,666	28,057	35,397	5,469	588	1,972	76,149
at December 31, 2016	5,077	22,972	26,347	2,616	1,426	1,891	60,329
Of which leased installations (finance Lease)							
at January 1, 2015	0	0	0	0	0	1,380	1,380
at December 31, 2015	0	0	1,232	0	0	0	1,232
at December 31, 2016	0	0	4,121	0	0	0	4,121

In connection with the sale of the Molds segment and the acquisition of Fischer IMF in the reporting period, the Adval Tech Group decided to restructure and refocus its components business. The reorganization principally affects the production sites in China, Thailand, Hungary and Switzerland. In the course of these restructuring projects, the value of assets was reviewed and written down where necessary. The total impairment charge calculated in this context is CHF 8.6 million (previous year: CHF 0.0 million) and is split as follows among the main projects.

- Impairment charge of CHF 3.2 million in connection with the sale of the FOBOHA companies, primarily for a property rented by FOBOHA. The rental agreement with the tenant can be terminated at short notice. This reduces the value of the property. The valuation was determined by an external appraiser.
- Impairment charges of CHF 2.6 million in connection with the closure of the Uetendorf site: The value of the tangible fixed assets at the Uetendorf is impaired by the closure. We assume that any proceeds from the sale of assets will roughly cover the dismantling and disposal costs.
- Restructuring of the production site for metal components in Hungary. Production in Szekzárd is to be relocated to a new building on the company's site that better meets requirements, and the rental agreement for the present building will be terminated. The present business plan puts the impairment charge for the assets at CHF 1.1 million. The impairment was calculated on the basis of estimated future cash flows using the discount rate applicable for the Group.
- Restructuring of a production site for plastic components in Thailand. A major customer of the site in Thailand cancelled its orders in the reporting period. The site has to be restructured in the light of the reduced business volume. The business plan drawn up following cancellation of the orders results in an impairment of CHF 0.5 million on the tangible fixed assets.
- Closure of a production site in Suzhou at year-end 2016. The closure of one of the two production sites in Suzhou at the end of 2016 resulted in an impairment charge of CHF 0.7 million on tangible fixed assets. CHF 0.6 million of this relates to production equipment. The remainder relates to installations that can no longer be used.
- Impairment charge on tangible fixed assets at the production site for plastic components in Hungary. The sale of the FOBOHA companies led to a revaluation of assets used in the production of plastic components for auto manufacturers. This identified an impairment of CHF 0.5 million on tangible fixed assets at the site in Hungary. Further, an impairment charge is recognized for capitalized development work. See Note 12 for further details.

As in the previous year, there were no tangible assets set for disposal at the balance sheet date. The Adval Tech Group has no undeveloped real estate available.

As at December 31, 2016, there were no outstanding orders for assets that had not be delivered or invoiced and were therefore not included in tangible fixed assets (2015: CHF 0.5 million).

As at December 31, 2016, installations under construction included CHF 0.1 million in advance payments for tangible fixed assets (previous year: CHF 0.3 million).

11. 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 tools, molds and production systems used for production of components. Amortization payments usually depend on the number of components delivered per period, with a minimum amount agreed for all amortization payments.

CHF 1,000	12/31/2016	12/31/2015
Receivables from finance lease contracts	4,532	5,370
Other long-term receivables	333	556
Long-term loans	0	0
Total financial assets	4,865	5,926

The decrease in receivables from finance leases is attributable to the Components segment. Receivables from finance lease contracts, stated at net present value, are due for payment as follows:

CHF 1,000	12/31/2016	12/31/2015
within 1 year	1,265	866
in 2 to 5 years	4,583	5,370
Total future leasing income	5,848	6,236

The nominal value of these receivables totalled CHF 6.7 million (CHF 7.5 million in 2015).

The amounts due for payment within one year are included in other current receivables.

12. INTANGIBLE ASSETS

The following statement of changes in intangible assets applies for 2016:

CHF 1,000	Capitalized development costs	Others	Total
at cost			
at December 31, 2015	14,568	6,583	21,151
Changes in the scope of consolidation	-218	-327	-545
Investments acquired	0	0	0
Investments generated in-house	0	0	0
Disposals	-500	0	-500
Other changes	0	-1,599	-1,599
Change in accumulated translation difference	-9	170	161
at December 31, 2016	13,841	4,827	18,668
Accumulated amortization			
at December 31, 2015	-5,460	-5,991	-11,451
Changes in the scope of consolidation	218	327	545
Scheduled depreciation	-1,262	-285	-1,547
Impairment	-2,124	-286	-2,410
Disposals	500	0	500
Other changes	0	1,599	1,599
Change in accumulated translation difference	12	-171	-159
at December 31, 2016	-8,116	-4,807	-12,923
Book values			
at December 31, 2015	9,108	592	9,700
at December 31, 2016	5,725	20	5,745

Capitalized development costs largely result from the development of plastic components for further projects for automotive manufacturers in Germany. These relate to long-term orders for the production of components. They will be amortized over the term of the orders, but no more than 10 years (see Note 1.11).

In connection with the sale of the Molds segment and the acquisition of Fischer IMF in the reporting period, the Adval Tech Group decided to restructure and refocus its components business. The reorganization principally affects the production sites in China, Thailand, Hungary and Switzerland. In the course of these restructuring projects, the value of assets was reviewed and written down where necessary. The impairment charges total CHF 2.4 million (previous year: CHF 0.0 million) and comprise:

- Impairment charge of CHF 1.7 million on capitalized development costs for the business with plastic components for the automotive industry. The sale of the FOBHOA companies led to a revaluation of capitalized development costs in connection with the sale of plastic components to auto manufacturers. This results in an impairment of CHF 1.7 million on capitalized development costs. Further, an impairment charge was recognized for tangible fixed assets in Hungary (see Note 10). The impairment charges were calculated on the basis of the business plan, and were based on estimated future cash flows and the discount rate applicable for the Group.

- Impairment charges totaling CHF 0.4 million on capitalized development costs due to the closure of the Uetendorf site: In connection with the closure of this site, capitalized development costs were revalued. As a result they were completely written off. The impairment charges were calculated on the basis of the business plan, and were based on estimated future cash flows and the discount rate applicable for the Group.
- In connection with the sale of FOBOHA (Suzhou), the residual value of customer relationships capitalized at the date of this acquisition (CHF 0.3 million), was completely written off.

The following statement of changes in intangible assets applies for 2015:

CHF 1,000	Capitalized development costs	Others	Total
at cost			
at December 31, 2014	12,189	4,760	16,949
Changes in the scope of consolidation	0	0	0
Investments acquired	705	0	705
Investments generated in-house	1,750	0	1,750
Disposals	0	1,860	1,860
Other changes	0	0	0
Change in accumulated translation difference	-76	-37	-113
at December 31, 2015	14,568	6,583	21,151
Accumulated amortization			
at December 31, 2014	-4,497	-3,879	-8,376
Changes in the scope of consolidation	0	0	0
Scheduled depreciation	-1,011	-278	-1,289
Impairment	0	0	0
Disposals	0	-1,860	-1,860
Other changes	0	0	0
Change in accumulated translation difference	48	26	74
at December 31, 2015	-5,460	-5,991	-11,451
Book values			
at December 31, 2014	7,692	881	8,573
at December 31, 2015	9,108	592	9,700

In the previous financial year, the other intangible assets essentially consisted of the value of customer relationships gained through acquisitions in the Components segment (balance sheet value as at December 31, 2016: CHF 0.0 million; as at December 31, 2015: CHF 0.6 million).

The goodwill arising from the acquisitions of Adval Tech (Grenchen) AG (formerly Teuscher Kunststoff-Technik AG) (June 1, 2005), Adval Tech (Hungary) Kft. (formerly QSCH Termelő és Kereskedelmi Kft.) (May 1, 2007), Adval Tech Holdings (Asia) Pte. Ltd (formerly Omni Investors Pte. Ltd) (January 16, 2008) and Fischer IMF GmbH & Co. KG (April 1, 2016) was offset against the equity on the date of acquisition.

The historical cost of goodwill is shown in the following table:

CHF 1,000	2016	2015
Total at January 1	45,477	45,800
Additions	13,018	0
Disposals resulting from sale of investments*	-5,115	0
Currency translation differences resulting from changes in investments	483	0
Change in the cumulative currency difference	1,182	-323
Total at December 31	55,045	45,477

* at historical exchange rates

If goodwill were amortized over 10 years using the straight-line method rather than being offset, this would result in the following cumulative amounts of amortization for goodwill:

CHF 1,000	2016	2015
Total at January 1	-37,009	-32,827
Disposals resulting from sale of investments**	4,433	0
Currency translation differences resulting from changes in investments	-629	0
Simulated depreciation	-5,144	-4,312
Change in accumulated translation difference	-1,077	130
Total at December 31	-39,426	-37,009

** at average exchange rates

The theoretical net book value of the goodwill amounts to:

CHF 1,000	2016	2015
Total at December 31	15,619	8,468

The impact of theoretical capitalization and amortization of the goodwill on the income statement and the equity is shown below:

CHF 1,000	2016	2015
Net result	39,891	600
Simulated depreciation	-5,144	-4,312
Theoretical net result	34,747	-3,712
Equity	133,232	64,611
Theoretical value of goodwill	15,619	8,468
Theoretical equity	148,851	73,079

13. TRADE ACCOUNTS PAYABLE

The CHF 0.9 million decline in trade accounts payable came from the sale of the Molds segment. There was a considerable rise in trade accounts payable in the Components segment, partly due to the acquisition of Fischer IMF. There were no trade accounts payable to related parties either on December 31, 2016 or at the end of the previous year.

14. SHORT-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	31/12/2016	31/12/2015
Banks	503	14,058
Short-term leasing liabilities to third parties	1,047	268
Short-term interest-bearing liabilities	1,550	14,326

The short-term bank loans are covered by liquid assets of CHF 53.9 million (previous year: CHF 16.0 million). These are current account overdrafts at interest rates based on LIBOR or EURIBOR. The short-term leasing liabilities to third parties are from the Components segment.

15. OTHER SHORT-TERM LIABILITIES

CHF 1,000	31/12/2016	31/12/2015
Advance payments by third parties	5,797	14,638
Advance payments by related parties	0	1,619
Other short-term liabilities to third parties	10,700	5,542
Other short-term liabilities to related parties	1	0
Negative replacement value of derivative instruments	11	0
Total other short-term liabilities	16,509	21,799

The year-on-year decrease of CHF 8.8 million in advance payments by third parties originates almost entirely from the Molds segment. The decrease in other short-term liabilities to CHF 10.7 million as at December 31, 2016 (previous year: CHF 5.5 million) is attributable to the Components segment.

16. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	31/12/2016	31/12/2015
Face value of liabilities arising from leasing contracts due		
within 1 year	1,062	292
in 2 to 5 years	1,729	500
in more than 5 years	0	0
Total future payment commitments	2,791	792
less proportionate interest on the payments	-89	-39
<i>Net present value of liabilities arising from finance leases</i>	<i>2,702</i>	<i>753</i>
of which short-term leasing liabilities	1,047	268
of which long-term leasing liabilities	1,655	485

The leasing liabilities relate to the Components segment. They increased by CHF 2.0 million year on year in 2016 as a result of the acquisition of Fischer IMF.

17. PREPAID INCOME AND ACCRUED EXPENSES

CHF 1,000	31/12/2016	31/12/2015
Accrued expenses	11,420	9,133
Invoices not yet received	3,932	4,324
Total prepaid income and accrued expenses	15,352	13,457

As in the previous year, accrued expenses include future payments for the following items: social security contributions and insurance premiums, accrued vacations and overtime, future payments for purchases/sales, other non-interest-bearing values owed. Invoices not yet received on the balance sheet date include services received without receipt of the relevant invoice.

18. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	31/12/2016	31/12/2015
Long-term leasing liabilities – third parties	1,655	485
Long-term interest-bearing liabilities – third parties	0	61,104
Total long-term interest-bearing liabilities	1,655	61,589

The credit agreement concluded with four banks – three in Switzerland and one in Germany – at the start of July 2014 was terminated at the end of September 2016. The loans were repaid out of the proceeds from the sale of the Molds segment. The guarantee provided by a major shareholder for this has been completely extinguished. A credit line of max. CHF 25 million that can be cancelled at any time by either party was subsequently agreed with a major Swiss bank. Part of this credit line is reserved for (advance payment) guarantees; the remainder can be drawn at short notice. This credit line is subject to covenants. These covenants cover the following financial indicators: Leverage ratio and minimum equity of the Group. As at the balance sheet date, the covenants provided for in the credit agreement had all been met.

19. FINANCIAL LIABILITIES

Recognition principles and conditions are shown in the following tables:

	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Balance on Dec. 31, 2016				
Bank current accounts	503	TEUR 457	Current	2.00%
Lease liabilities, short-term	1047	TEUR 717	Current	7.90%
Lease liabilities, long-term	1655	TEUR 1,352	1–4 years	2.3 – 3.9%
Total financial liabilities	3,205			

Financial liabilities for 2015 are as follows:

	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Balance on Dec. 31, 2015				
Bank current accounts	14,058	EUR 648	Current	2.98%
Bank loans	1,104	EUR 1,020	4–5 years	1.30%
Lease liabilities, short-term	268	0	Current	3.83%
Lease liabilities, long-term	485	0	4 years	3.83%
Syndicated loan	60,000	0	3 years	2.78%
Total financial liabilities	75,915			

20. PROVISIONS

	Warranty provisions	Payments to employees	Restructuring provisions	Other provisions	Total
CHF 1,000					
Long-term provisions at December 31, 2015	297	1,503	221	1,181	3,202
Short-term provisions at December 31, 2015	1,208	0	0	0	1,208
Total at December 31, 2015	1,505	1,503	221	1,181	4,410
Change in the scope of consolidation	-856	-763	0	1,458	-161
Addition	584	73	4,033	2,396	7,086
Utilization	-202	-2	-493	0	-697
Release of provisions no longer required	-100	0	0	-1,391	-1,491
Difference arising from currency translation	17	3	54	26	100
Total at December 31, 2016	948	814	3,815	3,670	9,247
Long-term provisions at December 31, 2016	308	814	2,557	1,370	5,049
Short-term provisions at December 31, 2016	640	0	1,258	2,300	4,198
Total at December 31, 2016	948	814	3,815	3,670	9,247

Provisions for payments to employees consist primarily of future obligations in respect of anniversary bonuses. The amount of those obligations is measured using the projected unit credit method.

Provisions for restructuring include provisions of CHF 2.9 million for the closure of the production site in Uetendorf. Provisions were established for the estimated net costs for present supply obligations until closure of the site and the expected costs of relocating production to other sites within the Group. Further, a provision of CHF 0.6 million was established for restructuring of the site in Thailand. The site in Thailand will be restructured and redimensioned in the present financial year as a result of the loss of a significant customer order. Provisions of CHF 0.1 were still recognized at year-end 2016 for costs yet to be incurred in connection with the closure of a production site in Suzhou. Restructuring of the site in Brazil has not yet been completed. The provisions set up for this in previous periods was CHF 0.2 million on the reporting date.

Other provisions include CHF 2.4 million for expected future payments in connection with the sale of the Molds segment and the acquisition of Fischer IMF. Further, total provisions of CHF 0.6 million were recognized for dismantling expenses for rented buildings and impending losses on orders. The provision for foreign withholding taxes whose refundability is not certain, amounts to CHF 0.4 million. Provisions of CHF 0.3 million were recognized for other items. In all cases for which provisions have been made, the probability of occurrence is estimated at above 50%.

Provisions as at the end of the previous year were as follows:

	Warranty provisions	Payments to employees	Restructuring provisions	Other provisions	Total
CHF 1,000					
Long-term provisions at December 31, 2014	297	1,524	291	1,369	3,481
Short-term provisions at December 31, 2014	1,325	0	0	0	1,325
Total at December 31, 2014	1,622	1,524	291	1,369	4,806
Change in the scope of consolidation	0	0	0	0	0
Addition	344	52	24	64	484
Utilization	-200	0	0	0	-200
Release of provisions no longer required	-173	-44	0	-248	-465
Difference arising from currency translation	-88	-29	-94	-4	-215
Total at December 31, 2015	1,505	1,503	221	1,181	4,410
Long-term provisions at December 31, 2015	297	1,503	221	1,181	3,202
Short-term provisions at December 31, 2015	1,208	0	0	0	1,208
Total at December 31, 2015	1,505	1,503	221	1,181	4,410

In the previous year, the provisions for restructuring included CHF 0.2 million for the site in Brazil. The other provisions comprised provisions of CHF 0.3 million for the decommissioning of rented buildings, CHF 0.2 million for future revenue deductions in connection with the financing of a production facility by the customer, and provisions of CHF 0.4 million for foreign withholding taxes, whose refundability is not certain. A further CHF 0.3 million was allocated to provisions for other items.

21. DEFERRED INCOME TAXES

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

CHF 1,000	12/31/2016	12/31/2015
Deferred tax liabilities	-181	-3,009
Deferred tax assets	1,427	1,947
Total deferred income taxes	1,246	-1,062

Deferred income tax assets and liabilities are stated at the income tax rates expected for each company.

The following table shows the average tax rate and the effect of capitalized loss carryforwards on the average tax rate:

	2016	2015
Average applicable tax rate before considering loss carryforwards	17.53%	24.80%
Impact of deferred tax assets from loss carryforwards	-7.88%	0.90%
Average applicable tax rate after considering loss carryforwards	9.65%	25.70%

CHF 2.7 million in uncanceled losses was posted in the local financial statements (2015: CHF 31.0 million).

Deferred tax assets arising from losses carried forward have been included on the basis of forecasts by the relevant companies. They correspond to the tax loss carryforwards that can be utilized on the basis of these forecasts until they expire.

Deferred tax assets developed as follows:

CHF 1,000	2016	2015
Total at January 1	1,947	2,353
Change in the scope of consolidation	-659	0
Creation	1,059	648
Utilization	-1,006	-798
Other adjustments	0	0
Translation difference	86	-256
Total at December 31	1,427	1,947

The deferred tax assets relate primarily to capitalized tax loss carryforwards.

Provisions for deferred tax liabilities developed as follows:

CHF 1,000	2016	2015
Total at January 1	3,009	3,483
Change in scope of consolidation	-1,759	0
Additions	215	406
Transfers	0	-710
Release	-1,296	0
Currency translation differences	12	-170
Total at December 31	181	3,009

As in the previous year, deferred tax liabilities originate primarily from temporary differences in fixed and intangible assets.

Tax losses amounting to CHF 34.8 million existing on December 31, 2016 (CHF 149.7 million in 2015), have not yet been utilized and no deferred tax claim for them has been included in the balance sheet.

The expiration dates of unutilized tax loss carryforwards are as follows:

CHF 1,000	12/31/2016	12/31/2015
expiring in 1 year	14,337	22,222
expiring in 2 years	4,367	17,020
expiring in 3 years	519	1,776
expiring in 4 years	213	55,701
expiring in 5 years	6,008	8,417
expiring in more than 5 years	9,350	44,613
Total	34,794	149,749

22. STATEMENT OF SHARE CAPITAL

The share capital was as follows on December 31, 2016:

	Registered shares
at January 1, 2016	730,000
at December 31, 2016	730,000
	fully paid up
Par value in CHF	20
Dividend restrictions	none
Voting restrictions	exist
Number of shares held by the Adval Tech Group on December 31	800

No shares were reserved for issue in respect of options or sales agreements in the year under review. The treasury shares held are held primarily for issue to employees as part of the bonus program.

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application, if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Art. 6 of the Articles of Incorporation of Adval Tech Holding AG dated June 19, 2012, purchasers of shares in excess of 10% of the registered capital stock recorded in the Commercial Register will not be entered with voting rights. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. The Annual General Meeting of June 19, 2012 raised the voting rights restriction from 5% to 10%.

Groups of individuals who are associated with each other and act in concert to circumvent the registration restrictions are regarded as a single purchaser. The Board of Directors can permit exceptions. In 2006, the Board of Directors granted an exception in favour of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. Beneficial ownership remained unaffected by this transaction. On January 30, 2007, the Board of Directors permitted an exception in favour of Willy Michel, which was granted in connection with a cooperation agreement. Furthermore, these voting restrictions do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all voting rights when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Hansruedi Bienz, Einfache Gesellschaft Dreier).

The exceptions granted were confirmed until further notice by the Board of Directors with reference to the increase in share capital in May 2008. Fiduciary entries in the shareholders' register can only be made without voting rights. The Articles of Incorporation of Adval Tech Holding AG with regard to quorums conform to legal requirements.

Holdings of treasury shares have developed as follows:

	2016	2015
Treasury shares held at January 1	638	500
Purchases (shares)	988	895
Sales (shares)	0	0
Issued to employees (shares)	-826	-757
Treasury shares held at December 31	800	638
Average purchase price (CHF)	221	158
Average sale price (CHF)	n.a.	n.a.
Average value for issues (CHF)	151	192

All treasury shares are held by Adval Tech Management AG.

Under the existing remuneration policies, 826 shares were granted to management staff in the year under review as part of their variable compensation (previous year: 757 shares).

Non-distributable reserves in the Group's shareholders' equity amounted to CHF 10.0 million at the end of the year under review (CHF 22.2 million in 2015). Retained earnings do not include any revaluation reserves.

23. NET TURNOVER

CHF 1,000	2016	2015
Net income from deliveries and services	188,680	161,768
Income from manufacturing orders (valued using the percentage-of-completion method)	45,043	54,611
Revenue deductions	-1,809	-1,142
Total net turnover	231,914	215,237

Net turnover for 2016 came to CHF 231.9 million, an increase of CHF 16.7 million. The increase in the net sales from goods and services is mainly due to the acquisition of Fischer IMF, which was integrated into the consolidated financial statements from April 1, 2016. The decline in income from manufacturing orders is attributable to the sale of the FOHOBAs companies as at August 31, 2016.

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 the inventories of such orders. Net sales from goods and services includes the other invoiced sales and services.

24. OTHER OPERATING INCOME

CHF 1,000	2016	2015
Other operating income from third parties	4,513	3,837
Other operating income from related parties	13	9
Gains from sales of tangible fixed assets	42	106
Total other operating income	4,568	3,952

Other operating income consists primarily of income from sales of scrap, income from letting premises and income from sales commissions.

25. COST OF MATERIALS AND SERVICES

The material and service expenses rose by CHF 4.2 million year on year. As a proportion of total income, they increased by 1.3 percentage points to 43.7%. This was mainly due to the sale of the Molds segment at the end of August 2016. The proportionate material costs of the tooling business were lower than those of the components business.

26. PERSONNEL EXPENSES

The average number of employees declined by 38 FTEs to 1,510 FTEs in 2016 (1,548 FTEs in 2015). The number of employees totalled 1,341 FTEs at the balance sheet date (1,482 FTEs in 2015).

27. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

As at the balance sheet date, the employer's contribution reserves are as follows:

CHF 1,000	Nominal value on 12/31/2016	Utilization waiver 12/31/2016	Balance 12/31/2016	Payment/ repayment 2016	Effect on personnel expenses 2016	Effect on financial result 2016
Pension funds excl. surplus/shortfall	267	0	267	0	-729	0

In the previous year:

CHF 1,000	Nominal value on 12/31/2015	Utilization waiver 12/31/2015	Balance 12/31/2015	Payment/ repayment 2015	Effect on personnel expenses 2015	Effect on financial result 2015
Pension funds excl. surplus/shortfall	996	0	996	0	-1,139	0

CHF 0.7 million was debited from personnel expenses in the year under review to finance contributions (CHF 1.1 million in 2015), while CHF 0.0 million was credited from interest (CHF 0.03 million in 2015). Interest is calculated on the employer's contribution reserves in accordance with the foundation's performance, but at no more than the rate on the savings accounts.

Financial benefit/financial obligations and pension expenses for 2016 and 2015 are as follows:

CHF 1,000	Surplus/ shortfall 12/31/2016	Financial share of the organization 12/31/2016	12/31/2015	Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period*	Pension expenses in 2016
Pension fund of Adval Tech Holding AG excl. surplus/shortfall	0	0	0	0	1,684	2,413
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	0	196
Total	0	0	0	0	1,684	2,609

* including result from employer's contribution reserves

In the previous year:

	Surplus/ shortfall 12/31/2015	Financial share of the organization 12/31/2015	12/31/2014	Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period*	Pension expenses in 2015
CHF 1,000						
Pension fund of Adval Tech Holding AG excl. surplus/shortfall	0	0	0	0	1,558	2,647
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	213	213
Total	0	0	0	0	1,771	2,860

* including result from employer's contribution reserves

The above data is based on the financial statements of the pension funds at December 31, 2016 (or December 31, 2015), prepared in accordance with Swiss GAAP FER 26.

The pension fund of Adval Tech Holding AG is a legally independent foundation. It is subject to Swiss occupational pensions legislation. All employees of the Swiss companies in the Adval Tech Group are members of this pension fund. As at December 31, 2016, the cover ratio was 111% (previous year: 115%). The Adval Tech Group is not expected to derive any economic benefit from the pension fund.

The employees of non-Swiss Group companies are members of the applicable state pension schemes in the country concerned, governed by local legislation. As a consequence, neither financial benefit nor financial obligations arise therefrom, other than the contribution payments posted as expenses.

The pension fund for management of Adval Tech Holding AG was set up for members of supervisory staff. It is affiliated to a collective foundation of a major Swiss insurer. It is primarily a capital redemption insurance. Equal contributions are made by employees and employer.

In 2015 a life insurance policy was in place for a former member of executive management at a foreign subsidiary that was acquired after he retired in 2002. The provisions for liabilities arising from this at the end of 2015 amounted to CHF 0.3 million and are included in the provisions for payments to employees. The redemption value of the policy at December 31, 2015, was CHF 0.3 million and was capitalized in the "Other long-term receivables" item under "Financial assets." The effect of this insurance policy on the consolidated income statement was marginal. At the end of 2016, this receivable and the associated liability were no longer recognized due to the sale of the Molds segment.

28. OTHER OPERATING EXPENSES

CHF 1,000	2016	2015
Maintenance, repair, replacements, operating materials	-11,554	-12,098
Premises, energy	-7,920	-7,908
Insurance, office and administration expenses	-4,925	-4,656
Marketing, sales and distribution expenses	-4,792	-5,714
Sundry operating expenses	-768	-672
Total other operating expenses	-29,959	-31,048

Other operating expenses in the reporting period were down by CHF 1.1 million on the year-back figure. In relation to total income, other operating expenses declined from 13.8% in 2015 to 13.2% in the reporting period. The “Sundry operating expenses” line item also includes CHF 0.02 million in losses on the sale of tangible fixed assets (2015: CHF 0.01 million).

29. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1,000	2016	2015
Interest earned	702	1,112
Currency gains	2,257	3,496
Gains on derivative financial instruments	4	8
Other financial income	29	58
Total financial income	2,992	4,674
Interest paid	-1,868	-2,513
Bank charges and fees	-220	-187
Currency losses	-3,122	-7,109
Unrealized translation differences	-432	-1,308
Losses on derivative financial instruments	-16	-4
Other financial expenses	-516	-453
Total financial expenses	-6,174	-11,574
Financial result	-3,182	-6,900

Total currency losses of CHF 0.9 million net had to be posted in the year under review (previous year: CHF 3.6 million).

The significantly higher exchange rate losses in the prior-year period are attributable to the Swiss National Bank's decision on January 15, 2015 to remove the EUR-CHF exchange rate floor.

In addition to the cost of the adjustments to the credit agreements with the syndicate banks, other financial expenses also includes the deferred cost of the guarantee given in the context of the syndicated loan.

30. EXTRAORDINARY RESULT

CHF 1,000	2016	2017
Restructuring measures	-12,142	-130
Cooperation projects	127	-282
Result from the sale of investments	47,259	17
Result from the purchase of investments	-557	0
Other extraordinary expenses	0	-8
Extraordinary result	34,687	-403
Non-operating result	0	0
Total extraordinary result	34,687	-403

The extraordinary income figure of CHF 34.7 million for 2016 includes the book gain from the sale of the tooling companies (Molds segment) and a repayment of CHF 0.1 million in connection with the disposal of investments in Mexico and China in 2013.

Further, this item includes the costs for the sale of the Molds segment and the acquisition of Adval Tech Holding (Germany), Fischer IMF GmbH & Co. KG and Fischer Verwaltungs-GmbH. In addition, extraordinary expense of CHF 12.1 million has been recorded for the costs incurred and estimated future costs for the relocation of production and closure of sites in Hungary, China, Thailand and Switzerland, which have been decided and in some cases already initiated. In Hungary, production of metal components for the automotive industry is being restructured and relocated to a new building. In China, a production site was closed at the start of 2017. Production of the components manufactured here will either be relocated (to site in Malaysia or the second production site in Suzhou) or returned to the customers affected. The site in Thailand is being restructured due to the present market situation, and its focus on the automotive market is being stepped up. A new site is being sought that meets the requirements of the restructured organization.

In Switzerland, Adval Tech intends to close its production site in Uetendorf by 2018. Production of the components manufactured here will be relocated to Niederwangen in Switzerland, to Endingen in Germany, or to Szekzárd, Hungary. Further, due to the sale of the Molds segment, an impairment test was conducted on various assets and they were written down where necessary. This applies above all to capitalized development costs for the OEM business, which were revalued following the sale of the Molds segment.

The extraordinary result of CHF -0.4 million in the 2015 reporting period includes a repayment of CHF 0.1 million in connection with the disposal of investments in Mexico and China. The income was reduced by the associated costs. The "Restructuring measures" item includes costs for headcount reductions in connection with restructuring projects.

31. INCOME TAXES

CHF 1,000	2016	2015
Current income taxes	-1,680	-2,087
Change in provision for deferred taxes	1,063	154
Total tax expenses	-617	-1,933

The change in the provision for deferred taxes includes CHF 0.9 million from capitalized loss carryforwards (previous year: CHF -0.1 million).

32. NET RESULT PER SHARE

The stated figure for net result per share after corporate taxes was calculated on the basis of 730,000 outstanding shares. There are no dilution effects.

33. SEGMENT REPORTING

The allocation of business activities to the Group's two segments in 2016 is reflected in the following table:

CHF 1,000	Components segment	Molds segment	Other units, eliminations	Total
Net turnover from deliveries and services	167,472	19,399	0	186,871
Income from manufacturing orders (valued using the percentage-of-completion method)	19,201	25,842	0	45,043
Net turnover from third parties and related parties	186,673	45,241	0	231,914
Total income from third parties and related parties	179,452	47,640	0	227,092
Intragroup revenues	882	946	11,423	13,251
Total income	180,334	48,587	-1,829	227,092
EBITDA	14,086	6,440	1,852	22,378

Figures for 2015:

CHF 1,000	Components segment	Molds segment	Other units, eliminations	Total
Net turnover from deliveries and services	141,799	18,827	0	160,626
Income from manufacturing orders (valued using the percentage-of-completion method)	4,393	50,218	0	54,611
Net turnover from third parties and related parties	146,192	69,045	0	215,237
Total income from third parties and related parties	152,165	72,067	109	224,341
Intragroup revenues	887	2,349	12,420	15,656
Total income	153,052	74,416	-3,127	224,341
EBITDA	12,254	9,742	2,388	24,384

Income by region is as follows:

CHF 1,000	2016		2015	
Net turnover	231,914	100%	215,237	100%
<i>Europe</i>	<i>150,779</i>	<i>65%</i>	<i>127,436</i>	<i>59%</i>
– of which Switzerland	17,250	7%	16,251	8%
– of which Germany	93,995	41%	71,993	33%
– of which France	10,386	4%	10,720	5%
<i>Asia</i>	<i>31,953</i>	<i>14%</i>	<i>43,624</i>	<i>20%</i>
– of which China	19,787	9%	16,251	8%
<i>North America</i>	<i>27,647</i>	<i>12%</i>	<i>30,206</i>	<i>14%</i>
<i>Latin America</i>	<i>20,263</i>	<i>9%</i>	<i>12,634</i>	<i>6%</i>
<i>Australia and Oceania</i>	<i>415</i>	<i>0%</i>	<i>254</i>	<i>0%</i>
<i>Africa</i>	<i>857</i>	<i>0%</i>	<i>1,083</i>	<i>1%</i>

Countries are allocated to regions in conformity with the allocation in Swiss National Bank statistics. Net turnover in Switzerland includes CHF 1.1 million of turnover with related parties in the year under review (CHF 1.2 million in 2015).

34. PLEDGED ASSETS

The carrying amount of pledged items of tangible fixed assets amounted to CHF 0.9 million as of December 31, 2016 (previous year: CHF 1.0 million). The pledge listed serves as security for bank loans and credit lines. Furthermore, it should be noted that sight deposits with banks can be used to cover loans granted at the same time in accordance with the banks' general conditions of business.

35. CONTINGENT AND FUTURE LIABILITIES

CHF 1,000	12/31/2016	12/31/2015
Contingent liabilities in favor of third parties	8,633	4,344
Liabilities arising from leases	11,608	13,941
Liabilities arising from operating leases	1,120	1,676

Contingent liabilities in favour of third parties originate from guarantees issued as security for advance payments by customers, finance lease transactions and import duties. A cash outflow is deemed unlikely. There were no sureties at the balance sheet date.

Payments deriving from operating leases fall due as follows: CHF 0.7 million (CHF 0.3 million in 2015) within 1 year, CHF 0.4 million (CHF 0.5 million in 2015) within 2 to 5 years.

Future rental payments fall due as follows: CHF 2.6 million (CHF 3.0 million in 2015) within 1 year, CHF 5.0 million (CHF 6.2 million in 2015) in 2 to 5 years, CHF 4.0 million (CHF 4.7 million in 2015) in more than 5 years.

36. FINANCIAL INSTRUMENTS

Market values are calculated on the basis of individual valuations of the outstanding instruments at the balance sheet date. The following financial instruments for limiting financial risks existed at the balance sheet date (contract values in 1,000 local currency, fair values in CHF 1,000) as at December 31, 2016:

Currency	Instrument	Contract value local currency 1,000	Replacement value CHF 1,000	
			positive	negative
MXN	Forward transactions / swap	18,000	0	9
EUR	Forward transactions / swap	826	0	2
Total		18,826	0	11

As at the end of 2015, the currency hedges were as follows:

Currency	Instrument	Contract value local currency 1,000	Replacement value CHF 1,000	
			positive	negative
USD	Forward transactions / swap	401	1	0
EUR	Forward transactions / swap	0	0	0
Total		401	1	0

The options and forward transactions listed above serve to hedge payments in USD, MXN and EUR. They ran until the end of January 2017 at the latest.

The negative replacement values in 2016 are included in “other short-term liabilities” (Note 15). The positive replacement values in 2015 were included in “other receivables” (Note 7).

37. 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 AG
- Artemis Holding AG, Hergiswil, and its Group companies
- Ypsomed Holding AG, Burgdorf, and the companies of the Ypsomed Group
- Techpharma Management AG, Burgdorf
- Feintool International Holding AG, Lyss, and the companies of the Feintool Group
- Forbo Holding AG, Baar, and the companies of the Forbo Group
- Autoneum Holding AG, Winterthur, and the companies of the Autoneum Group
- Rieter Holding AG, Winterthur, and the companies of the Rieter Group
- AFG Arbonia-Forster Holding AG, Arbon, and the companies of the Arbonia Forster Group
- Precious Woods Holding AG, Zug, and the companies of the Precious Woods Group
- the members of the Board of Directors and the Group Executive Management, including members who left the company in the reporting period
- Grapha Holding AG (formerly GEKLA AG), Hergiswil, and Rudolf B. Müller
- Hansruedi Bienz, Oberbottigen

Finox AG was removed from the list of related parties as it was sold to an independent third party in the second half of 2016.

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

Turnover of CHF 1.1 million was made with related parties in the year under review (CHF 1.2 million in 2015). Volume parts and components to the value of CHF 0.01 million (CHF 0.5 million in 2015) and molds to the value of CHF 1.1 million (CHF 0.7 million in 2015) were invoiced in 2016.

At the balance sheet date, receivables of CHF 0.3 million from related parties (2015: CHF 0.0 million) existed. Liabilities to related parties (incl. deferrals) totalled to CHF 0.0 million (2015: CHF 1.6 million).

Up to CHF 25.0 million of the syndicated credit facility of CHF 60.0 million (as of end 2015: CHF 25.0 million of the credit facility of CHF 75.0 million) was guaranteed by a major shareholder who is also a member of the Board of Directors (see Note 18). In the context of this guarantee, the Group recognized expenses for a guarantee commission of CHF 0.2 million in 2016 (previous year: CHF 0.1 million). The guarantee was extinguished as at September 30, 2016.

Business activities with related parties were primarily transacted with companies and individuals related to Willy Michel. With the exception of payments disclosed in the Remuneration Report, no material transactions took place with members of the Board of Directors or the Group Executive Management.

38. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred since the balance sheet date that would detract from the information value of the 2016 consolidated financial statements.

39. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were released on March 23, 2017 for publication by the Board of Directors of Adval Tech Holding AG and a motion for their approval was submitted to the Annual General Meeting of shareholders of Adval Tech Holding AG.



Report of the statutory auditor to the General Meeting of Adval Tech Holding AG Niederwangen b. Bern

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Adval Tech Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 68 to 106) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 1,100,000

We concluded full scope audit work at six reporting units in four countries. Our audit scope addressed 70% of the net turnover and 78% of the assets of the Group.

Additionally, specified audit procedures were concluded at a further eleven Group companies in eight countries, which cover a further 23% of the net turnover and 17% of the assets of the Group.

A full scope audit was performed by another audit firm at two foreign companies. These audits covered 27% of the net turnover and 13% of the assets of the Group. We checked the work of the other audit firm by inspecting their working papers. We were also involved through our critical examination of the risk analysis and through discussions relating to the planning, the interim audit and the year-end audit.

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As key audit matters, the following areas of focus were identified:

- Income recognition
- Acquisition of Fischer IMF GmbH & Co. KG

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. The Group auditor performed the audit of the consolidation, disclosures and presentation of the consolidated financial statements, the goodwill and the deferred tax assets. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor included telephone conferences with the component auditors during the planning phase and the interim and year-end audits as well as an investigation of the risk analysis.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<i>Overall Group materiality</i>	CHF 1,100,000
<i>How we determined it</i>	0.5% of net turnover
<i>Rationale for the materiality benchmark applied</i>	We chose net turnover as the benchmark because utilisation and growth are critical for the Adval Tech Group in the current situation while it is still in a turnaround phase.

We agreed with the Audit Committee that we would report to them misstatements above CHF 110,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.



Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Income recognition

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
We consider income recognition as a key audit matter because there is a risk that the contractually agreed point of time at which risks and benefits of ownership pass to the customer is not recognised correctly in the financial statements. In addition, revenues arising from manufacturing orders are highly dependent on the judgement of Management in determining the stage of completion of the order. During our audit, therefore, we focussed on the correct recognition in the financial statements of the transfer of risk and responsibility and on the key assumptions used in estimating the stage of completion of manufacturing orders. Please refer to note 1.18 (Income recognition and note 23 (Net turnover) and note 8 (Inventories and work in progress) in the notes to the consolidated financial statements.	<i>Income recognition – Accrual</i> We performed the following audit procedures: • We assessed the consistent application of the income recognition principles for the various sources of revenue and, on a sample basis, the correct recognition in the financial statements of the transfer of risk and benefits of ownership in the period before and after the balance sheet date by reference to the associated delivery notes and/or contracts. • Our work also comprised a sample-based check of manual journal entries relating to income. • Further, we obtained a sample of confirmations of accounts receivable as at the balance sheet date and we checked a sample of credit notes issued and returns for the period from the balance sheet date to the date of the audit. <i>Income recognition – Stage of completion</i> We performed the following audit procedures on the revenues arising from manufacturing orders: • We assessed the design and implementation of key controls relating to the recognition of revenues from manufacturing orders and performed selected tests of the effectiveness of these controls in order to be able to rely on the controls. • We selected of a sample of contracts in order to assess the current and future financial benefits. The samples were selected on the basis of qualitative and quantitative criteria or on a random basis. • For the selected contracts, we discussed and challenged the key assumptions applied by Management and the project leaders that have a significant influence on determining the

stage of completion (especially, forecasts of the project's future progress). In addition, we performed the following audit procedures:

- We checked the business terms and conditions of the contracts
- We assessed the forecasts of the project's future progress
- We checked the stage of completion of the contract and the underlying key assumptions at the time of the audit
- We discussed the project with Management and the project leaders and, on the basis of the contractual terms and conditions, we assessed whether the manufacturing orders could be completed within the agreed deadlines and, therefore, the risk of any financial penalties.
- We looked retrospectively at completed projects to assess the reliability of statements and forecasts made by Management and the project leaders.
- We assessed the recoverability of receivables relating to manufacturing orders on the basis of payments received after the balance sheet date or discussion with Management.

On the basis of the audit procedures described above, we addressed the risk of incorrect income recognition and the risk of incorrectly estimating the stage of completion of orders. We have no findings to report.

Acquisition of Fischer IMF GmbH & Co. KG

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
In the year under review, the Adval Tech Group acquired Fischer IMF GmbH & Co. KG in Endingen (Germany.) We consider the acquisition of Fischer IMF GmbH & Co. KG to be a key audit matter because of the significant scope for judgement by Management in determining the fair values of the assets and liabilities (in particular, potential conditional purchase price obligations) and, thus, of the goodwill, which was valued at an amount of CHF 13.0 million and offset against the shareholders' equity. Another reason for examining the acquisition more closely, as part of our audit, is the scope for	We obtained Management's estimates used to determine the fair value of the assets and the liabilities in relation to the acquisition of Fischer IMF GmbH & Co. KG and we performed the following audit procedures: <i>Identifying the assets, liabilities and goodwill as at the acquisition date</i> • On the basis of the purchase contracts and Management's estimates, we did not identify any further assets or any corrections to be made to the valuations. The opening balance sheet prepared by Management, including the



Management judgement when using discounted forecasted cash flows to perform impairment testing of the goodwill, which has to be tested even if it has been offset against shareholders' equity.

Please refer to note 1.2 (Consolidation principles) and note 4 (Scope of consolidation) in the notes to the consolidated financial statements.

allocation of the purchase price, was subject to a full scope audit.

Impairment testing of goodwill as at year-end

- On the basis of our risk and materiality considerations, we subjected the standard impairment testing performed by Management to audit procedures. We focussed on testing the correctness and the mathematical accuracy of the valuation and checking the plausibility of the key assumption (discount rate). We compared the actual results of the year with the forecasts prepared in the prior year in order to identify any assumptions that in retrospect appeared too optimistic regarding the forecasted cash flows.
- We compared the discount rate with the cost of capital of the Adval Tech Group and of analogous firms, taking into account country-specific particularities. In addition, we checked for appropriateness the forecasted change in net working capital and the forecasted capital expenditure. Further, we examined whether the assumptions used met our expectations.
- We tested the sensitivity analyses of the key assumptions (discount rate and long-term growth rate). These analyses enabled us to test for a potential impairment of the goodwill.
- We re-performed the calculation/logic of the conditional purchase price obligation, reconciled it to the related contract and compared the result for the year of Fischer IMF GmbH & Co. KG, as used in the calculation, with the audited financial statements.

On the basis of the audit procedures described above, we have addressed the risk of incorrectly determining the value of the assets, liabilities and goodwill and the risk of the impairment of goodwill. We have no findings to report.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern



and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Hanspeter Gerber
Audit expert
Auditor in charge

Jonas König
Audit expert

Bern, 23 March 2017

FINANCIAL REPORT OF ADVAL TECH HOLDING AG

1. BALANCE SHEET

CHF	Notes	12/31/2016	12/31/2015
Current assets			
Liquid assets		30,931,721	848,611
Trade accounts receivable		2,836,105	2,702,490
– from third parties		68,022	3
– from Group companies	2.1	2,768,083	2,702,487
Prepaid expenses and accrued income		3,275	171,139
Total current assets		33,771,101	3,722,240
Fixed assets			
Long-term receivables from Group companies	2.2	71,014,633	55,042,696
Investments in Group companies	2.3	82,002,159	99,630,452
Total fixed assets		153,016,792	154,673,148
Total assets		186,787,893	158,395,388
Short-term liabilities			
Trade accounts payable		65,085	91,443
– to third parties		65,085	91,443
Short-term interest-bearing liabilities	2.4	6,151,320	13,356,249
– to third parties		0	13,356,249
– to Group companies		6,151,320	0
Other liabilities		1,091,367	135,720
– to third parties		11,290	28,143
– to Group companies	2.5	1,080,077	107,577
Prepaid income and accrued expenses		134,502	293,347
Current provisions		1,893,000	0
Total short-term liabilities		9,335,274	13,876,759
Long-term liabilities			
Long-term interest-bearing liabilities	2.6	0	60,000,000
– to third parties		0	60,000,000
Total long-term liabilities		0	60,000,000
Total liabilities		9,335,274	73,876,759
Shareholders' equity			
Share capital		14,600,000	14,600,000
Legal capital reserves	2.7	97,424,589	97,424,589
Legal retained earnings		9,690,236	9,596,186
– General legal retained earnings		9,500,000	9,500,000
– Reserve for treasury shares		190,236	96,186
Voluntary retained earnings		10,580,926	10,674,976
Losses carried forward		-47,777,122	-18,814,905
Profit/loss for the year		92,933,990	-28,962,217
Total shareholders' equity		177,452,619	84,518,629
Total liabilities and shareholders' equity		186,787,893	158,395,388

2. INCOME STATEMENT

CHF	Notes	2016	2015
Income from equity interests	2.8	109,704,408	5,914,273
Other income		3,275	7,687
Other operating expenses	2.9	-1,168,561	-1,258,174
Amortization/depreciation and impairment losses on non-current assets	2.10	-9,652,573	-28,275,881
Financial income	2.11	984,261	557,210
Financial expenses	2.12	-3,249,926	-5,907,332
Operating result before taxes		-96,620,884	-28,962,217
Extraordinary, non-recurring or prior period expenses	2.13	-3,686,894	0
Result for the year before taxes		-92,933,990	-28,962,217
Direct taxes		0	0
Profit/loss for the year		-92,933,990	-28,962,217

NOTES TO THE FINANCIAL REPORTS 2016

1. MEASUREMENT PRINCIPLES APPLIED IN THE FINANCIAL STATEMENTS

Adval Tech Holding AG, with its registered office in Niederwangen, applies the standards of the accounting legislation under Art. 957ff, Swiss Code of Obligations (CO). The additional information in the Notes to the financial statements, the cash flow statement and the management report are omitted pursuant to CO Art. 961d, as the Company itself prepares consolidated financial statements in accordance with recognized accounting standards.

Assets are measured at acquisition cost or below. Equity interests are measured individually where they are significant and not commonly aggregated as a group for measurement due to their similarity in nature. Treasury shares are measured at acquisition value without subsequent valuations. A special reserve item is reported in shareholders' equity for treasury shares held by subsidiaries. Gains and losses from sale of treasury shares including transaction costs are taken directly to voluntary retained earnings. Liabilities are measured at nominal value. All assets and liabilities held in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Income and expenses in foreign currencies and all foreign-currency transactions are translated at the exchange rates prevailing on the transaction date. The resulting exchange rate differences are recognized in the income statement. Income is recognized as follows: dividends on maturity, service sales revenues at the invoice date following performance of the service.

2. INFORMATION, BREAKDOWNS AND EXPLANATORY NOTES CONCERNING THE FINANCIAL STATEMENTS

2.1 Trade accounts receivable – from Group companies

CHF	12/31/2016	12/31/2015
Adval Tech Immobilien AG, Niederwangen, Switzerland	43,875	0
Styner + Bienz Form Tech AG, Niederwangen, Switzerland	167,500	234,627
Styner+Bienz do Brasil Ltda., São José dos Pinhais PR, Brazil	2,007,079	1,892,862
Adval Tech (Hungary) Kft., Szekszárd, Hungary	60,007	83,543
Styner+Bienz US Inc., Cleveland, OH, USA	5,967	5,103
FOBOHA (Switzerland) AG, Muri (AG), Switzerland	0	308,965
FOBOHA (US) Inc., Beverly, MA, USA	0	5,676
FOBOHA (Germany) GmbH, Haslach, Germany	0	9,302
Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico	68,313	11,426
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	0	150,983
Adval Tech Holding (Germany) GmbH, Endingen, Germany	415,342	0
Total Group companies	2,768,083	2,702,487

2.2 Long-term receivables from Group companies

CHF	12/31/2016	12/31/2015
Adval Tech Management AG, Niederwangen, Switzerland (subordinated)	500,000	500,000
Adval Tech Immobilien AG, Niederwangen, Switzerland	7,000,000	0
Styner+Bienz Form Tech AG, Niederwangen, Switzerland	25,771,715	30,428,000
Styner+Bienz do Brasil Ltda., São José dos Pinhais PR, Brazil	0	0
Adval Tech (Hungary) Kft., Szekszárd, Hungary	5,894,735	12,450,015
Styner+Bienz US Inc., Cleveland, OH, USA	563,871	792,648
FOBOHA (Switzerland) AG, Muri (AG), Switzerland	0	1,262,000
FOBOHA (Switzerland) AG, Muri (AG), Switzerland (subordinated)	0	3,000,000
FOBOHA (US) Inc., Beverly, MA, USA	0	0
FOBOHA Holding GmbH, Haslach, Germany	0	1,082,610
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico	1,971,403	1,441,000
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	0	4,086,423
Adval Tech Holding (Germany) GmbH, Endingen, Germany	29,312,909	0
Total Group companies	71,014,633	55,042,696

2.3 Investments in Group companies

Company		12/31/2016 Share capital 100%	Holding in %	12/31/2015 Share capital 100%	Holding in %	12/31/2016 Book value CHF	12/31/2015 Book value CHF
Adval Tech Management AG, Niederwangen, Switzerland	CHF	100,000	100%	100,000	100%	0	0
Management of equity interests							
Adval Tech Immobilien AG, Niederwangen, Switzerland	CHF	100,000	100%	0	0%	100,000	0
Holding and management of properties							
Styner+Bienz FormTech AG, Niederwangen, Switzerland	CHF	3,050,000	100%	3,050,000	100%	15,866,000	15,866,000
Stamping and forming technology							
Styner+Bienz US Inc., Cleveland, OH, USA	USD	1	100%	1	100%	0	0
Stamping and forming technology							
Styner+Bienz do Brasil Ltda., São José dos Pinhais PR, Brazil	BRL	150,873	100%	150,873	100%	0	576
Stamping and forming technology	USD	360,000	100%	360,000	100%	0	526
Adval Tech (Hungary) Kft., Szekszárd, Hungary	EUR	990,000	100%	1,900,000	100%	29,110,856	24,823,776
Stamping and forming technology / plastic components							
Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico*	MXN	50,000	100%	50,000	100%	0	19
Plastic components							
FOBOHA (Switzerland) AG, Muri (AG), Switzerland	CHF	600,000	0%	600,000	100%	0	6,917,000
Injection molding technology							
Adval Tech (Grenchen) AG, Grenchen, Switzerland	CHF	2,000,000	100%	2,000,000	100%	6,470,000	8,470,257
Plastic components							
FOBOHA Holding GmbH, Haslach, Germany	EUR	25,000	0%	25,000	100%	0	13,124,298
Holdings in companies							
FOBOHA (Germany) GmbH, Haslach, Germany	EUR	23,433,332	0%	23,433,332	100%	0	23,433,332
Injection molding technology							
FOBOHA (US) Inc., Beverly, MA, USA	USD	1	0%	1	100%	0	1
Mold and equipment sales							
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	USD	13,517,000	100%	13,517,000	100%	30,428,000	30,428,000
Holdings in companies							
Adval Tech (Suzhou) Co. Ltd, Suzhou, China	USD	3,500,000	100%	3,500,000	100%	724,193	724,193
Plastic components							
Adval Tech (Thailand) Co. Ltd, Rayong, Thailand**	USD	7,000,000	100%	7,000,000	100%	258,635	258,635
Plastic components							
Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia	USD	6,000,000	100%	6,000,000	100%	1,701,155	1,701,155
Plastic components							
FOBOHA (Suzhou) Co. Ltd, Suzhou, China	USD	3,100,000	0%	3,100,000	100%	0	0
Injection molding technology							
Omni Plastics (Shanghai) Co. Ltd, Shanghai, China	USD	800,000	100%	800,000	100%	108,000	108,000
Trading							
Omni Engineering (Shanghai) Co. Ltd, Shanghai, China	USD	2,400,000	100%	2,400,000	100%	1,653,731	1,653,731
Trading							
Carryover						81,974,856	99,630,452

Company		12/31/2016 Share capital 100%	Holding in %	12/31/2015 Share capital 100%	Holding in %	12/31/2016 Book value CHF	12/31/2015 Book value CHF
Carryover						81,974,856	99,630,452
Adval Tech Holding (Germany) GmbH, Endingen, Germany	EUR	25,000	100%	0	0%	27,303	0
Holdings in companies / Holding and management of properties							
<i>Fischer IMF GmbH & Co. KG, Endingen, Germany</i>	EUR	1,132,000	100%	0	0%	11,668,169	0
<i>Metal tools and components</i>							
<i>Fischer IMF Verwaltungs-GmbH, Endingen, Germany</i>	EUR	51,000	100%	0	0%	122,077	0
<i>General partner of Fischer IMF GmbH & Co. KG, Endingen, Germany</i>							
Total equity interests						82,002,159	99,630,452

100% of the shares in the following companies were sold to third parties in the reporting period: FOBHA (Switzerland) AG, Muri, Switzerland, FOBHA Holding GmbH, Haslach, Germany, together with their affiliates (FOBHA (Germany) and FOBHA US Inc.) and – indirectly via Adval Tech Holdings (Asia) Pte. – FOBHA (Suzhou) Co. Ltd. The share capital reported for these companies corresponds to that at the time of the sale.

* For legal reasons, Adval Tech Management AG holds part of the equity interest in the Company's share capital on a fiduciary basis.

** For legal reasons, various parties hold certain interests on a fiduciary basis. As they are not entitled to a share of profits, minority interests are not stated separately.

In the reporting period, Adval Tech Holding AG acquired the following investments:

- Adval Tech Holding (Germany) GmbH, Endingen am Kaiserstuhl: The purpose of this company is to acquire and sell, hold and manage equity interests and properties. In connection with the acquisition of the shares in Fischer IMF GmbH & Co. KG, Adval Tech Holding AG acquired 100% of the shares in Adval Tech Holding (Germany) GmbH from third parties. Adval Tech Holding (Germany) GmbH acquired the operating property in Endingen and leases it to Fischer IMF GmbH & Co. KG.
- Fischer IMF GmbH & Co. KG, Endingen am Kaiserstuhl: This company manufactures tools for the production of stamped and formed metal parts and produces metal components and subassemblies; both areas of activity primarily serve the automotive market.
- Fischer IMF Verwaltungs-GmbH, Endingen am Kaiserstuhl: This company is the general partner in Fischer IMF GmbH & Co. KG. Adval Tech Holding AG acquired 100% of the shares in Fischer IMF GmbH & Co. KG indirectly through Adval Tech Holding (Germany) GmbH.
- Adval Tech Immobilien AG, Niederwangen, Switzerland: The purpose of the company is to hold and manage properties.

In the previous year, Adval Tech (Mexico) S.A. de C.V. was founded. The company commenced operations in the second half of 2015. It's main activity is supplying plastic components to the automotive industry in Mexico.

2.4 Short-term interest-bearing liabilities

CHF	12/31/2016	12/31/2015
Credit Suisse AG, Bern / group of banks	0	13,356,249
to third parties	0	13,356,249
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	6,151,320	0
to Group companies	6,151,320	0
Total short-term interest-bearing liabilities	6,151,320	13,356,249

2.5 Other liabilities – to Group companies

CHF	12/31/2016	12/31/2015
Adval Tech Management AG, Niederwangen, Switzerland	1,049,315	106,570
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	30,762	0
Adval Tech (Grenchen) AG, Grenchen, Switzerland	0	1,007
Total other liabilities – to Group companies	1,080,077	107,577

2.6 Long-term interest-bearing liabilities

CHF	12/31/2016	12/31/2015
Credit Suisse AG, Bern	0	60,000,000
Total long-term interest-bearing liabilities	0	60,000,000

At the end of September 2016, Adval Tech Holding AG fully repaid the syndicated loan concluded with four banks at the start of July 2014. The syndicated credit agreement and thus the remaining credit line were extinguished upon repayment.

Since October there has been a credit agreement for a maximum of CHF 25 million with a major Swiss bank. A maximum of CHF 15 million of this can be utilized for bank guarantees and a maximum of CHF 10 million for loans. The agreement can be terminated at any time.

2.7 Legal capital reserves

This item consists of the shareholders' capital contributions.

2.8 Income from Group equity interests

CHF	2016	2015
Income from equity interests	104,935,331	0
Loan interest income	2,054,077	1,950,891
Dividend income	0	1,000,000
Corporate service fees	460,000	544,382
Brand license fees	2,255,000	2,419,000
Total income from equity interests	109,704,408	5,914,273

2.9 Other operating expenses

CHF	2016	2015
Property insurance	-9,000	-9,000
Office and administrative expenses	-1,102,587	-1,224,015
Sales and distribution expenses	0	0
Other expenses	-56,974	-25,159
Total other operating expenses	-1,168,561	-1,258,174

2.10 Amortization/depreciation and impairment losses on non-current assets

CHF	2016	2015
Impairment losses on equity interests	-5,001,378	-21,894,000
Impairment losses on loans	-4,651,195	-6,381,881
Total amortization/depreciation and impairment losses on non-current assets	-9,652,573	-28,275,881

2.11 Financial income

CHF	2016	2015
Financial income from third parties	289,570	557,210
Foreign currency gains/losses, Group companies	694,691	0
Total financial income	984,261	557,210

2.12 Financial expenses

CHF	2016	2015
Bank interest expense	-294,689	-273,994
Loan interest expense	-998,657	-2,062,354
Foreign withholding taxes	-21,507	-8,682
Bank fees	-1,792	-2,129
Other financial expenses	-296,304	-296,971
Foreign currency gains/losses, third parties	-169,867	-797,662
Commission expenses, shareholders	-193,750	-125,000
Interest expenses shareholders	-283,889	0
Loan interest expense	-30,416	-10,431
Foreign currency gains/losses, Group companies	-959,055	-2,330,109
Total financial expenses	-3,249,926	-5,907,332

The item "Commission expenses, shareholders" reflects the commission for the guarantee of a major shareholder provided as part of the syndicated loan and – in 2016 – a loan of a major shareholder.

2.13 Explanation of extraordinary, non-recurring and prior period income statement items

The extraordinary expense in the reporting period relates to expenses for the purchase of Adval Tech Holding (Germany) GmbH and Fischer IMF GmbH & Co. KG, and the sale of the FOBOHA companies.

3. MISCELLANEOUS DISCLOSURES

The number of full-time employees was below 10 (previous year: below 10).

Treasury shares including interests in subsidiaries (book values)

	Number in 2016	Value in 2016	Number in 2015	Value in 2015
January 1	638	96,186	500	99,413
Purchase (details)	988	218,498	895	141,746
Sale (details)	-826	-124,448	-757	-144,973
December 31	800	190,236	638	96,186

The stated treasury shares are held by Adval Tech Management AG.

Equity securities for members of the Board of Directors and Executive Management

A total of 826 registered shares were allotted to the management in 2016. The shares were allotted in May 2016 as part of their variable compensation for the 2015 financial year, following approval by the Annual General Meeting of Adval Tech Holding AG. In the previous year, a total of 757 registered shares were allotted to members of the management.

	Number in 2016	Value in 2016	Number in 2015	Value in 2015
Issued to members of Board of Directors and Executive Management	826	124,448	757	144,973
Issued to employees	0	0	0	0
Total	826	124,448	757	144,973

Sureties to third parties

	2016	2015
Guarantees	8,632,864	4,343,667

Major shareholders

As at December 31, 2016, according to the share register, the following shareholders held over 3% of the registered share capital recorded in the Commercial Register:

	12/31/2016	12/31/2015
Dr. h.c. Willy Michel	23.7%	23.7%
Artemis Beteiligungen I AG, Hergiswil ¹⁾	21.2%	21.2%
J. Safra Sarasin Investment Fonds AG*	8.5%	9.8%
Grapha Holding AG (formely GEKLA AG), Hergiswil ²⁾	8.8%	8.8%
Hansruedi Bienz	7.5%	7.5%
Dreier unregistered partnership ³⁾	3.5%	3.5%

Economic beneficiaries

1) Michael Pieper

2) Rudolf B. Müller

3) Hans Dreier, Rudolf Dreier

* Actual interest as at Dec. 31, 2016

Board of Directors and Group Executive Management interests in Adval Tech Holding AG

As at December 31, 2016, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the Company's equity securities:

	Position as at December 31, 2016	12/31/2016 (Number)	12/31/2015 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	172,687	172,674
Michael Pieper	Vice Chairman of the Board	156,686	156,686
Hans Dreier	Member of the Board of Directors, Head IT/Logistics/Legal	13,457	13,292
Dr. Roland Waibel	Member of the Board of Directors	200	200
René Rothen	CEO	957	626
Markus Reber	CFO	493	328
Valeria Poretti-Rezzonico	Head Corporate HR/Communication	440	275



Report of the statutory auditor to the General Meeting of Adval Tech Holding AG Niederwangen b. Bern

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Adval Tech Holding AG, which comprise the balance sheet as at 31 December 2016, income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 114 to 123) as at 31 December 2016 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 800,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

- Impairment testing of the investments in Group companies and of short- and long-term receivables from Group companies

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future

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events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<i>Overall materiality</i>	CHF 800,000
<i>How we determined it</i>	Approx. 0.5% of total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because, in our view, it is a benchmark commonly used for a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 80,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of the investments in Group companies and of short- and long-term receivables from Group companies

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
We consider the impairment testing of the investments in Group companies of CHF 82.0 million and of the short- and long-term receivables from Group companies of CHF 73.8 million as a key audit matter because of the significant scope for judgement available to Management with regard to the discount rate and the growth rate in performing impairment tests, because of the low profitability in certain countries and because these assets represent a significant amount on the balance sheet (around 84% of total assets). Please refer to note 2.1 (Trade accounts receivable from Group companies) and note 2.2 (Long-term	We tested the investments in Group companies for impairment in the 2016 financial year. Management performed impairment tests on the investments in Adval Tech (Grenchen) AG, Adval Tech (Hungary) Kft. and Adval Tech Holdings (Asia) Pte. Ltd. We performed the following: • Compared with the actual results of each company concerned with its budget in order to identify assumptions that in retrospect appeared too optimistic regarding the cash flows; • Checked for plausibility the future prospects based on the multi-year plan approved by the



receivables from Group companies) and note 2.3 (Investments in Group companies) in the notes to the financial statements of Adval Tech Holding AG.

Board of Directors and discussed these with Management;

- Validated the key parameters of the impairment test (discount rate and long-term growth rate) by means of sensitivity analyses and a comparison with analogous companies.

Management assessed individually the recoverability of short- and long-term receivables from subsidiaries, except where the standalone financial statements prepared in accordance with Swiss GAAP FER or an impairment test showed that these were secured by positive equity. We performed the following:

- Discussed in detail with Management and the Audit Committee the assessment and re-performed it, and
- Checked for plausibility the future prospects based on the multi-year plan approved by the Board of Directors.

On the basis of the audit procedures described above, we addressed the risk relating to the valuation of the investments in Group companies and of short- and long-term receivables from Group companies. We have no findings to report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

A blue ink signature of Hanspeter Gerber, written in a cursive style.

Hanspeter Gerber
Audit expert
Auditor in charge

A blue ink signature of Jonas König, written in a cursive style.

Jonas König
Audit expert

Bern, 23 March 2017

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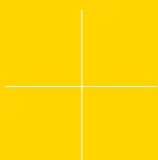
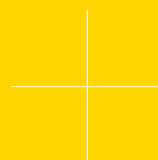
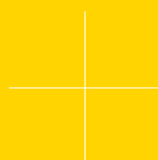
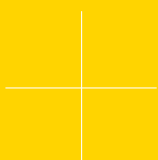
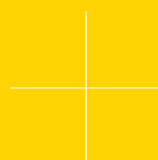
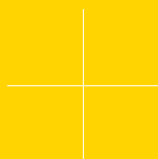
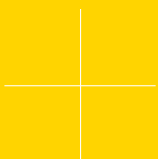
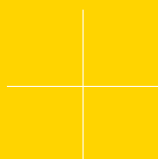
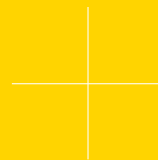
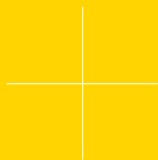
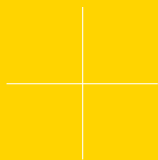
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Forward-looking statements

The present annual report contains forward-looking statements in relation to the Adval Tech Group which are based on current assumptions and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated. Examples include: changes in the economic and legal environment, the outcome of legal disputes, exchange rate fluctuations, unexpected market behaviour on the part of our competitors, negative publicity and the departure of management-level employees. The forward-looking statements are pure assumptions, made on the basis of information that is currently available.

This annual report is available in English and German. The original German-language version is binding.

