adval tech

ANNUAL REPORT 2003

COMPETENCE IN METALS AND PLASTICS

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This annual report is available in German and English.
The German text is authoritative.

This inhaler is manufactured using multiple hot-runner molds from the Injection Molding Division.

KEY FIGURES OF THE ADVAL TECH GROUP

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

1) Proposed by the Board of Directors

DEAR SHAREHOLDERS,

Although hopes of economic recovery did not materialize, the Adval Tech Group achieved significantly better results in 2003 than in the previous year. Total income of CHF 241 million was 39% higher than in 2002. With operating earnings (EBIT) of CHF 25.7 million (+61%), the group almost equaled the record figure of 2000, and in net profit (CHF 17.1 million) Adval Tech posted a rise of 59%. German moldmaker FOBOHA GmbH, acquired at the end of 2002 and consolidated for the first time in the year under review, made a substantial contribution to these good results.

Consolidation and implementing strategic decisions – these were the core tasks for the Adval Tech Group in 2003. Specifically, this included reinforcing marketing efforts in order to utilize existing capacity more effectively. German moldmaker FOBOHA, acquired at the end of 2002, also had to be integrated into the Injection Molding Division. This integration process has made considerable progress and has been extremely successful to date. FOBOHA contributed some 77% to growth in total income at the Adval Tech Group. Taking acquisition financing into account, its contribution to net profit amounted to some 20%. The expectations on which this acquisition was based have thus been clearly exceeded.

With rigorous financial and cost management and a restrained investment policy, the Adval Tech Group also succeeded in consolidating its sound corporate financial position.

Through improvements in process control, layout modifications in production operations and other organizational adjustments, the Stamping and Forming Division has continuously increased its EBIT margin in recent years. Compared with the previous year, the division posted only a slight increase in total income (from CHF 97.3 million to CHF 100.3 million), but a marked rise in EBIT (from CHF 2.0 million to CHF 3.3 million). A further encouraging feature was the expansion of its market position in the core automotive market, which was due especially to innovative new developments.

In the Injection Molding Division not only FOBOHA exceeded expectations. Total income at the division increased from CHF 76.1 million to CHF 141.6 million, EBIT from CHF 13.4 million to CHF 22.9 million. This is equivalent to an EBIT margin of 16.2%. AWM moldmaking operations recorded further gains at a high level. Among other things, the positive market environment for molds used to manufacture optical discs (ODs) and OD packaging was successfully exploited to the full. However, although AWM volume components manufacturing suffered as a result of the general economic trend, the inadequate capacity utilization in this sector was alleviated by large orders from the automotive industry. AWM commenced production of millions of cavity sealing modules at mid-year. AWM has invested heavily in the development of the necessary molds and created the preconditions to meet the challenging logistics demands. A substantial proportion of component manufacturing capacity will now be utilized for several years.

The Adval Tech Group achieved significantly better results.

Adval Tech shares have performed encouragingly. After starting the year at CHF 305 and recording a low point of CHF 280 in March, they rose strongly by the end of the year, closing at CHF 485 (+59% year-on-year). Our shares thus held their own very well. By comparison: the Swiss Performance Index gained 22%, and the SXMA (index of the Swiss machinery industry) gained 41%. A comparison of Adval Tech share prices and the indices at the time of the IPO in June 1998 (at an issue price of CHF 420) shows the following picture: Adval Tech +15%, SPI –15%, SXMA –31%.

In August 2003 the board of Adval Tech Holding Ltd decided to modify the presentation of its accounts to comply with International Financial Reporting Standards (IFRS) as of the 2005 financial year. Adval Tech shares will thus continue to be listed on the main board of the Swiss Exchange (SWX), which will further increase the attraction of the group for investors. The changes in the consolidated financial statements will be made for the most part this year. The relevant project has already been launched.

We devoted a separate section to corporate governance for the first time in the 2002 annual report. The admissions board of the SWX commissioned the Institute of Accounting and Controlling at the University of Zurich to review compliance with its guidelines. The relevant results were published at the end of 2003. Out of a total of 265 companies, Adval Tech was among the 110 that achieved 90% to 100% compliance with requirements. The few, largely formal, additional requirements have been taken into account in this year's annual report.

Following the very encouraging development of our group in 2003, the emphasis will be on consolidation in 2004. The resources invested in products, technology, capacity and infrastructure in recent years will be put to profitable use. With the free cash flow that is to be expected as a result of our cautious investment policy in the next few years, we will be able to make further substantial reductions in net debt in the foreseeable future.

We want to thank our employees for their flexibility and all their efforts, our business partners for their close cooperation in economically difficult times, and also you – our shareholders – for the confidence you have shown in us through your financial commitment.

Niederwangen, March 2004

HERBERT THÖNEN
CHAIRMAN OF THE BOARD

JEAN-CLAUDE PHILIPONA
CHIEF EXECUTIVE OFFICER

These subassemblies from Styner+Bienz are used for locking the automatic doors on Hong Kong's subway system.

ADDING VALUE

Adding value for customers in technically challenging fields of activity; that's what Adval Tech stands for.

The Adval Tech Group is a leading supplier of tools, special machinery, subassemblies, systems and volume components in the technology sectors of injection molding (plastics) and stamping and forming (metals). The group sees itself as a supplier and value-adding partner for companies in all industries where plastic or metal components are manufactured or used. With innovative and technically sophisticated solutions, the Adval Tech Group enables its customers to make continuous improvements to their products and processes. The Stamping and Forming Division trades on the market under the name of Styner+Bienz and the Injection Molding Division under AWM and FOBOHA. The Adval Tech Group has good development prospects in the fields of activity covered by its core competences.

Stamping and forming technology

Styner+Bienz supplies high-precision components and subassemblies ready for installation in a wide range of industrial sectors. For example, one in three new automobiles worldwide is equipped with ABS housing covers from Styner+Bienz. With its leading-edge know-how in stamping and forming technology Styner+Bienz covers the entire logistics chain – from component design through development to just-in-time delivery. For smaller-volume orders Styner+Bienz relies on CNC technology, which is used mainly to produce subassemblies ready for installation. In its in-house technology center Styner+Bienz manufactures its own tools and special machinery for producing components. Styner+Bienz also manufactures high-performance production systems for selected applications on the basis of transfer technology. For example, 70% of all spray can tops produced worldwide are manufactured on such installations.

Plastic injection molding technology

The Injection Molding Division includes AWM and FOBOHA. Both focus on highest quality as well as the interchangeability and rapid availability of their products. In principle, they cover all areas of application in injection molding technology. AWM is a global leader in the development and manufacture of molds for producing optical discs (ODs) and OD packaging. Other priority spheres of activity include two-component parts for the automotive industry, food packaging, bottle closures, spray can tops, and multipoint connectors. FOBOHA is a world leader in two-component and multi-component technology, in which different plastics with differing properties are combined with each other. The main spheres of application for FOBOHA injection molds are consumer goods packaging, medical technology, telecommunications and electronic equipment. The relatively new sector of plastics technology offers excellent growth opportunities due to the continuous emergence of new areas of application and materials.

The Adval Tech Group has good development prospects in the fields of activity covered by its core competences.

GROUP STRUCTURE

Adval Tech Holding Ltd

Adval Tech Management Ltd

Stamping and Forming Division	
100%	Styner+Bienz FormTech Ltd
100%	Styner+Bienz do Brasil Ltda.

Injection Molding Division	
100%	AWM Mold Tech Ltd
100%	AWM Plast Tech Ltd
100%	AWM Plastpack Ltd
100%	AWM Swiss Technology Ltd
100%	AWM Mold Service US Inc.
100%	FOBOHA GmbH
100%	FOBOHA US Inc.

As of January 1, 2004

GROUP MANAGEMENT

JEAN-CLAUDE PHILIPONA

CHIEF EXECUTIVE OFFICER

JOACHIM KAUFMANN

HEAD OF THE STAMPING AND FORMING DIVISION

EXECUTIVE BODIES

Board of Directors
Herbert Thönen, Chairman
Dr. Walter Grüebler, Vice Chairman
Hansruedi Bienz
Rudolf Styner
Hans Dreier
Prof. Dr. Josef Reissner

All directors' terms of office expire at the annual general meeting for the 2005 fiscal year.

Group Management
Jean-Claude Philipona, Chief Executive Officer
Joachim Kaufmann, Head of the Stamping and Forming Division
Josef Krummenacher, Head of the Injection Molding Division
Fritz Gaukel, Head of Strategic Projects
Hans Dreier, Head of Marketing and Logistics

Statutory Auditors
PricewaterhouseCoopers, Bern

Group Auditors
PricewaterhouseCoopers, Bern

Stamping and Forming Division
Joachim Kaufmann, Head of Division
Lorenz Jaggi, Head of Finance, Controlling and Services
Ralf Ostheider, Head of Components and Systems
Alfred Raggenbass, Head of Technology Center
Rudolf Lüthi, Head of Technical Support
Hermann Hollax, Head of Quality and Environment
Markus Gyger, Head of Human Resources and Training
Jerzy Dylewski, Head of Styner+Bienz do Brasil Ltda.

Injection Molding Division
Josef Krummenacher, Head of Division
Thomas Meyer, Head of Finance, Controlling and Services
Thomas Eberhard, Head of Sales, AWM Mold Tech Ltd
Bruno Müller, Head of Technical Support, AWM Mold Tech Ltd
Markus Gabriel, Head of OD Technology, AWM Mold Tech Ltd
Daniel Schüpbach, Head of Sales, AWM Plast Tech Ltd
Bruno Strebel, Production Manager, AWM Plast Tech Ltd
Martin Osterode, Head of AWM Mold Service US Inc.
Roy Clements, Head of AWM Swiss Technology Ltd
Rainer Armbruster, General Management, FOBOHA GmbH
Udo Bodmer, General Management, FOBOHA GmbH
Ingrid Schaub, General Management, FOBOHA GmbH

JOSEF KRUMMENACHER
HEAD OF THE INJECTION MOLDING DIVISION

FRITZ GAUKEL
HEAD OF STRATEGIC PROJECTS

HANS DREIER
HEAD OF MARKETING AND LOGISTICS

Styner+Bienz produces millions of these sheet metal rings for the automobile industry.

STRIKING INCREASE IN EARNINGS

The Stamping and Forming Division achieved a striking increase in earnings in the year under review. It thus defied the still unfavorable general economic trend – in conjunction with sharply higher raw material prices. Compared with the previous year, the division reported only a slight increase in total income (from CHF 97.3 million to CHF 100.3 million), but a marked rise in EBIT (from CHF 2.0 million to CHF 3.3 million).

In a difficult economic environment, Styner+Bienz made some major gains in market share, especially in components and systems for the automotive industry. A large number of new projects contributed to this, for example for ABS components, steering column subassemblies, airbag and fuel injection parts. However, the market for production systems was especially thin, with capital spending virtually at a standstill in almost all sectors. Demand was also below expectations in the market for subassemblies produced using CNC technology. There is still considerable excess capacity here on the domestic market and foreign producers are exerting additional pressure on prices.

Ongoing improvement in the EBIT margin

The EBIT margin at Styner+Bienz has improved continuously since 1999, due mainly to productivity gains. Whereas total income of CHF 95.5 million was generated with an average of 550 personnel units in 1999, CHF 100.3 million was generated in 2003 with only 495 units, i.e. a reduction of 55 units. Other reasons for the marked increase in productivity were improved process control, layout modifications in production operations and changes of a strategic and organizational nature.

The fact that the increase in productivity in the year under review was not even higher was due primarily to the massive increase in raw material costs caused by steel price rises of more than 10%. In the difficult competitive environment price rises could only be passed on to customers in very few cases.

THREE QUESTIONS

ADDRESSED TO JOACHIM KAUFMANN

HEAD OF THE STAMPING AND FORMING DIVISION

Productivity surged ahead in 2003. What were the main factors contributing to this? We again increased value added per Swiss franc of personnel expenses. Unfortunately, due to the economic headwind we were facing, this was achieved in conjunction with a reduction of 21 personnel units. Our personnel also improved process control on many contracts, thus reducing process costs substantially in some cases. Reduced set-up times, organizational adjustments and lower expenses also contributed to the improvement in productivity.

Does the division need to make strategic adjustments in response to changes in the business environment? No. We will systematically continue to pursue the strategic reorientation launched in 2001. The division's main focus is on supplying components and subassemblies ready for installation, on the basis of stamping and forming technology. We are concentrating on challenging applications in various market niches with the objective of gaining the largest possible shares in these markets. Adjustments to product strategies are always possible in this context. For example, in the year under review we concentrated increasingly on securing contracts for airbag applications.

How do you foresee the further development of the business in Brazil? The new government under President Lula succeeded in soothing many skeptics and removing initial anxieties in its first year in office. Business sentiment has improved slightly. Automobile output should grow to a total of 2 million vehicles this year. Styner+Bienz do Brasil will be able to benefit from this. The further development of the business also depends, of course, on our success in securing orders, and we are confident in this connection, since we are currently working on some projects offering good prospects of success.

These shielding components from Styner+Bienz protect mobile telephone users against electromagnetic radiation.

20% market share in steering columns

Styner+Bienz posted higher sales and earnings in the steering systems business. In components for adjustable steering columns, Styner+Bienz now has a market share of over 20% in Europe. This is in line with its declared strategy of concentrating on market niches and achieving high market shares in these segments. Innovative new developments by Styner+Bienz played a large part in this success. For example, multi-plate assemblies for continuous steering wheel adjustment can now be supplied welded as well as riveted. Plasmatron welding technology is now also used alongside conventional compound techniques (rivets) for guide boxes. Steering columns incorporating Styner+Bienz components are now also used by Land Rover and DaimlerChrysler.

A further focus of development was on the combination of assembly and stamping technology. For example, two components from other manufacturers are fed in and assembled directly in the tool during the stamping process of the basic unit for a handbrake component.

Certified technical potential

Bosch, the world's second largest systems supplier in the automotive market, has included Styner+Bienz in the ranks of its 30 preferred suppliers in the stamping and forming sector. In terms of technical potential, Styner+Bienz actually scored the second-best rating of all 480 Bosch subcontractors.

The depth of value added that is provided by Styner+Bienz in CNC subassemblies – ranging from product development and prototype production, through sheet metal working and surface treatment to module assembly – is much appreciated by our major customers, but its fixed costs are correspondingly high. This in turn necessitates relatively high minimum turnover levels. This minimum output was not achieved due to the overall economic situation, so that marketing and sales efforts need to be intensified further. In 2003, Styner+Bienz attained the status of a strategic supplier of CNC subassemblies for Franke coffee machines, Ruag Electronics, De La Rue, ESEC, Roche Rotkreuz and Robidog.

Production systems: market focus on spray can tops

In the field of production systems, the division focuses mainly on systems for manufacturing spray can tops and similar application segments in transfer technology. Styner+Bienz's world market share in installed spray can top systems is still around 70%. The level of capital spending in these markets was very low in 2003.

Styner+Bienz do Brasil

Compared to 2002, Styner+Bienz do Brasil raised total income by approximately 30% in local currency. The plant has produced components exclusively for the automotive component supply industry to date – for example, for the new VW Fox. In the year under review Styner+Bienz do Brasil obtained ISO/TS 16949 certification for its quality management system, which is important in this context.

Technology center to focus on simulation techniques in future

The utilization of capacity at the technology center was very high in the year under review, due to the large number of innovative projects launched in the previous year. Styner+Bienz will increasingly employ simulation techniques in future to enable the complex projects to be structured more efficiently and the relevant expenditure to be estimated in advance in greater detail.

High market shares thanks to innovative new developments.

Capital spending

In the year under review the division invested a total of CHF 5.2 million. The priorities included setting up a new installation to manufacture multi-plates for steering systems and a transfer forming system for manufacturing ABS components.

Personnel

The workforce was reduced by 21 in the year under review. Nevertheless, the division generated higher total income. The merger of the various Styner+Bienz companies to form Styner+Bienz FormTech Ltd in 2002 had a positive impact on corporate culture in the year under review. For example, cooperation between departments has improved considerably.

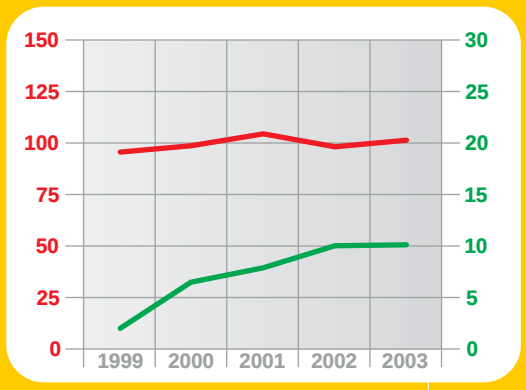
Outlook

Divisional management is expecting a slight recovery in its main markets in the current year. However, the competitive situation is unlikely to become any easier. Further productivity gains and structural adjustments will be necessary. The management of the Stamping and Forming Division is confident that these will enable further improvements in profitability to be achieved in the years to come.

4SIGMA++ – JUST ONE EXAMPLE OF HOW STYNER+BIENZ GENERATES ADDED VAL

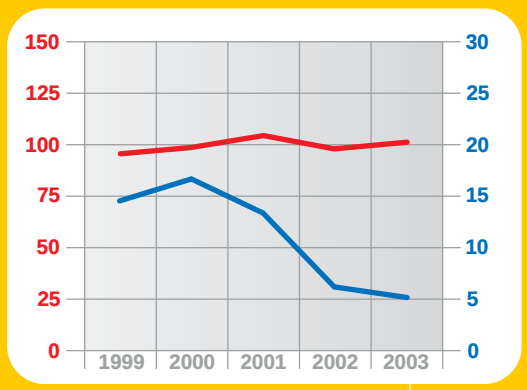
4Sigma++ is the title of an ambitious project launched by Styner+Bienz together with the Institute for Virtual Production at the Swiss Federal Institute of Technology in Zurich (FITZ). The latest simulation technology is being used to achieve secure and robust design of complex tools, thus reducing by half the time expended in manufacturing them. Styner+Bienz gained useful experience from a pilot project for three transfer tools used to manufacture dynamically balanced ABS cups. Installation lead times – eight days for the first tool, one day for the third – are impressive. However, the cost of simulation from the quotation stage to installation of the transfer tools was relatively high;

TOTAL INCOME AND EBITDA



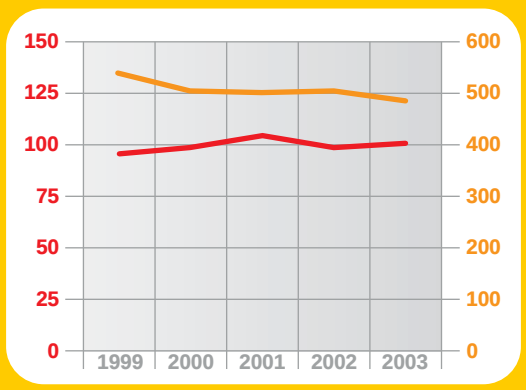
Total income in CHF millions
EBITDA in % of total income

TOTAL INCOME AND CAPITAL EXPENDITURE



Total income in CHF millions
Capital expenditure in % of total income

TOTAL INCOME AND EMPLOYEES



Total income in CHF millions
Employees

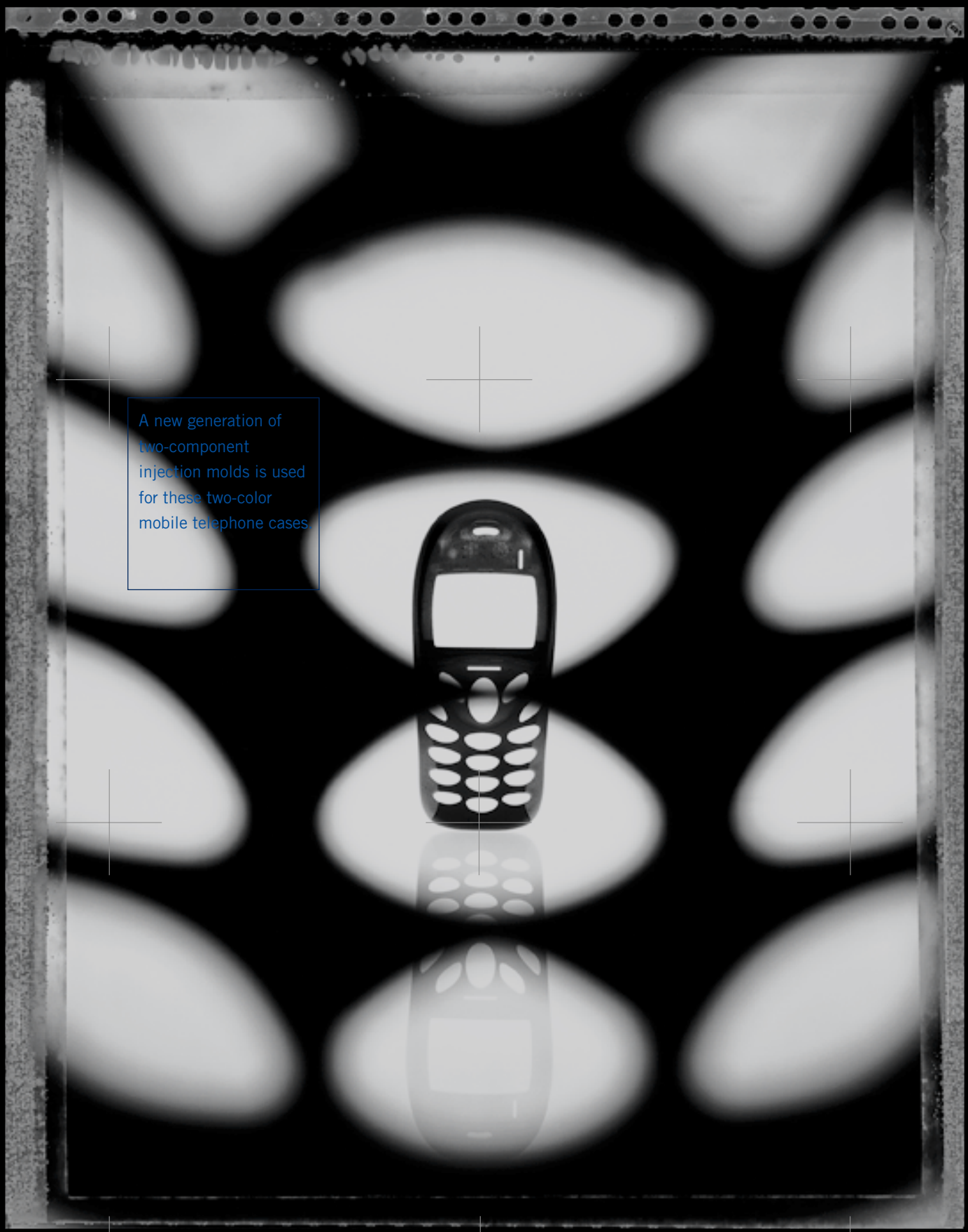
PERFORMANCE DATA AND EMPLOYEES

in CHF millions

	1999	2000	2001	2002	2003
Total income	95.5	98.4	104.2	97.3	100.3
EBITDA	1.9	6.4	8.1	10.1	10.4
EBIT	–2.9	0.6	0.9	2.0	3.3
Capital expenditure	13.9	16.4	13.9	6.1	5.2
Employees	538	503	501	506	485

UE FOR ITS CUSTOMERS

at present this procedure is only worthwhile for technologically very challenging tools. In a follow-up project Styner+Bienz is now studying the implementation of a master pattern and a company standard in order to reduce the cost of design and manufacture.



A new generation of two-component injection molds is used for these two-color mobile telephone cases

EXPECTATIONS EXCEEDED

The steep rise in total income and operating earnings at the Injection Molding Division was due primarily to the extremely successful integration of FOBOHA GmbH. The German moldmaker exceeded expectations by a wide margin in the year under review. AWM moldmaking operations also recorded strong growth at a high level. Volume component manufacturing continued to suffer from the general economic trend.

The acquisition of FOBOHA GmbH already had an extremely favorable impact on results at the Injection Molding Division in the first year following its completion. Its integration generated synergies in production, marketing, purchasing and logistics operations. Innovative solutions for customers, for example in multi-component and 4-level technology, made substantial contributions to the good results. In addition, AWM and FOBOHA continued to pursue further new developments and applied for a number of new patents in the year under review.

OD molds: position maintained at a high level

In the field of molds for optical data media (ODs) and their packaging, AWM systematically exploited the positive market environment and thus maintained sales volumes at the previous year's high level. However, pressure on margins increased considerably. Trends differed in the various formats: while CD-Audio stagnated, CD-R and DVD held their own at a high level. The rewritable DVD-R format offers the greatest development potential. AWM recorded a sharp increase in sales of molds for DVD packaging.

THREE QUESTIONS ADDRESSED TO JOSEF KRUMMENACHER

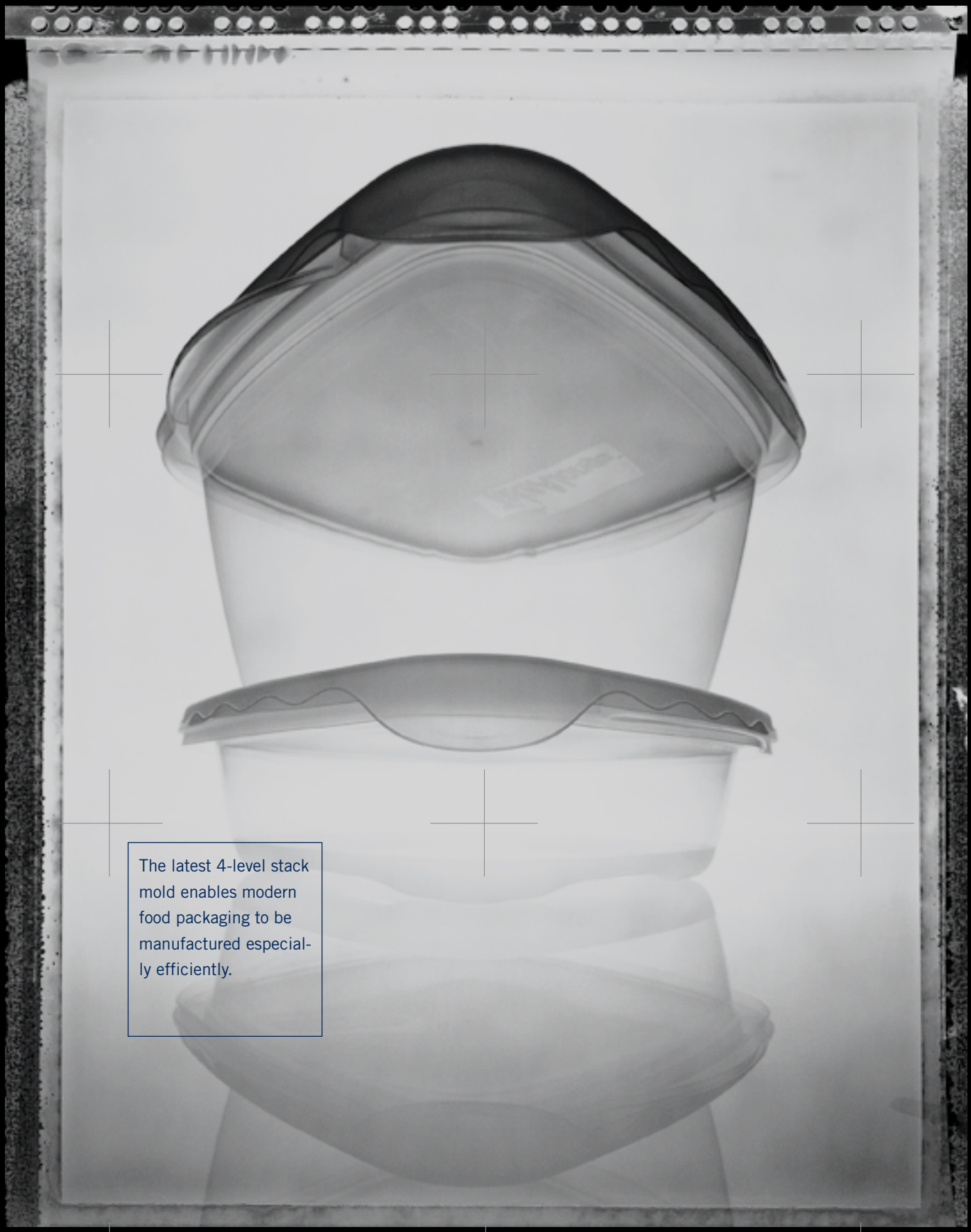
HEAD OF THE INJECTION MOLDING DIVISION

You have invested heavily in development and logistics for the production of cavity sealing modules for the automobile industry. What are the prospects for further large orders of this kind? Our high-performance in-house moldmaking facilities enabled us to develop the new mold technology for two-component injection in a very short time. We have also completed our plant expansion in Merenschwand and fulfilled the automobile industry's logistics requirements. We are therefore very well equipped to handle more large orders. We thus regard our prospects on the market as good.

In which markets do you see the greatest opportunities for growth? In principle, all our target markets offer potential for further growth. Optical data media, mobile telephones or packaging will continue to be extremely interesting markets for us in future. However, innovative solutions for customers are the key to success everywhere.

Are FOBOHA and AWM engaged in joint development projects? We will remain true to our strategy and continue to run FOBOHA and AWM as separate brands. Both units are intended to expand their position on the market independently. There are therefore no plans for joint development projects. However, synergies in terms of mold and manufacturing technology will be systematically exploited.

The integration of FOBOHA generated synergies in production, marketing, purchasing and logistics operations.



The latest 4-level stack mold enables modern food packaging to be manufactured especially efficiently.

Reinforcement in the multi-component sector

The division strengthened its position considerably with the acquisition of FOBOHA, especially in the multi-component sector. Its broad base in consumer goods packaging, medical technology and telecommunications made a substantial contribution to the division's pleasing results. The division also recorded strong growth in molds for thin-wall food packaging.

Large orders from the automobile industry

AWM commenced production of millions of cavity sealing modules for the automobile industry at mid-year. Its leadership in moldmaking and the substantial size it has now achieved mean that the division is excellently placed to handle orders of this magnitude. These technologically very challenging two-component modules are used to seal cavities in the chassis and prevent disagreeable noise in the vehicle interior. AWM has invested heavily in the development of new molds and created the necessary preconditions for meeting demanding logistics requirements in connection with these large orders.

With its entry into the cavity sealing market, AWM eased the unsatisfactory utilization of capacity in volume components operations and secured the utilization of a substantial portion of manufacturing capacity for several years. Demand was otherwise extremely modest in almost all markets served by this unit. An exception to this was contract manufacturing of CD boxes, which remained at a high level.

AWM and FOBOHA will continue to operate as separate brands and independent companies in future. However, the division was already able to exploit initial, significant synergies in the year under review. AWM and FOBOHA are coordinating their marketing efforts and purchasing, correlating trade fair appearances and communication media, and exchanging design and production capacity with a view to achieving optimum utilization. A joint IT platform will also be established in the current year.

Service and consulting

The importance of service and consulting is increasing year by year. The more molds there are in use, the more important the service companies become. AWM Swiss Technology Hong Kong has moved into new office premises, 30% larger, in the same building. In addition to the AWM service companies in Hong Kong and Beverly (USA), a further base is to be established in Shanghai. The important growth market of China can be served more directly from that location.

Capital spending

AWM brought its plant extension for component manufacturing in Merenschwand into operation in record time. A production area of 2,600 square meters has been available for this purpose since September 2003. As a first step the number of injection molding machines in the 35- to 420-tonne clamping pressure range was increased by five to 44 units. More than 1,500 tonnes of raw material are processed annually in four-shift operations. At the same time the new premises enabled AWM to double storage capacity for components.

AWM and FOBOHA will continue to operate as separate brands and independent companies in future.

Personnel – new jobs

AWM and FOBOHA aim to continue their growth. Sales and marketing activities, as well as design and engineering, have been intensified. In the year under review the number of employees increased from 317 to 520 (+203). Of these, 68 are apprentices (52 at AWM, 16 at FOBOHA) undergoing vocational training in various occupations. The increase in employee numbers is due to the integration of FOBOHA (+165) and growth at AWM (+38). The division also gives high priority to the further training of its skilled personnel.

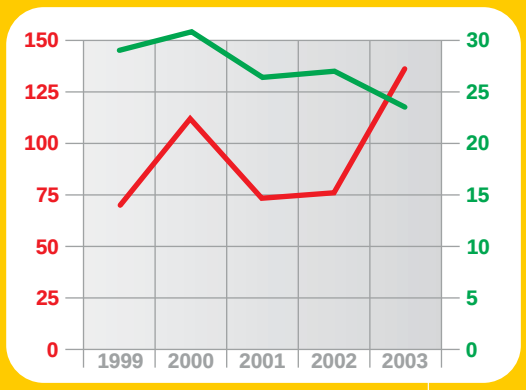
Outlook

The many new developments in the year under review and the large orders from the automobile industry will have a positive impact on the trend of business in 2004. The division also foresees an economic recovery and therefore a distinct revival in demand for certain product groups. By virtue of being well positioned in its main target markets and its innovative products, the division is confident of achieving a further increase in total income in the current year. However, growing competition and some excess capacity in the market will further intensify pressure on prices.

STACK TURNING SYSTEM – ANOTHER EXAMPLE OF HOW FOBOHA CREATES ADDED

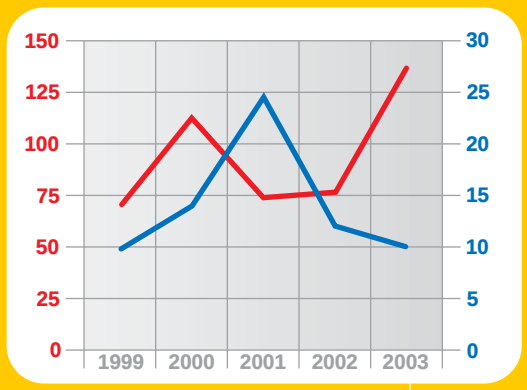
The stack turning system developed by FOBOHA is a highly efficient method of manufacturing volume items in the two-component and multi-component sector. The three processes of injecting, cooling and ejecting can be performed simultaneously. This enables cycle times to be reduced by up to 25%, and twice as many parts can be produced with no increase in machine size. Extremely diverse process

TOTAL INCOME AND EBITDA



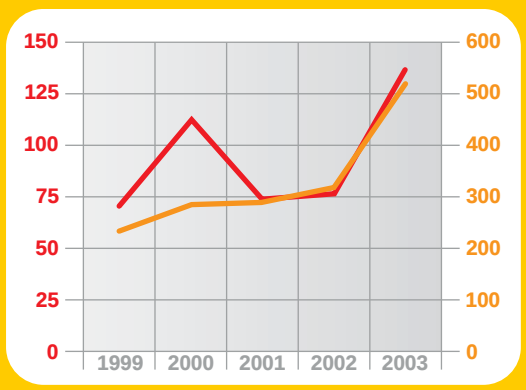
Total income in CHF millions
EBITDA in % of total income

TOTAL INCOME AND CAPITAL EXPENDITURE



Total income in CHF millions
Capital expenditure in % of total income

TOTAL INCOME AND EMPLOYEES



Total income in CHF millions
Employees

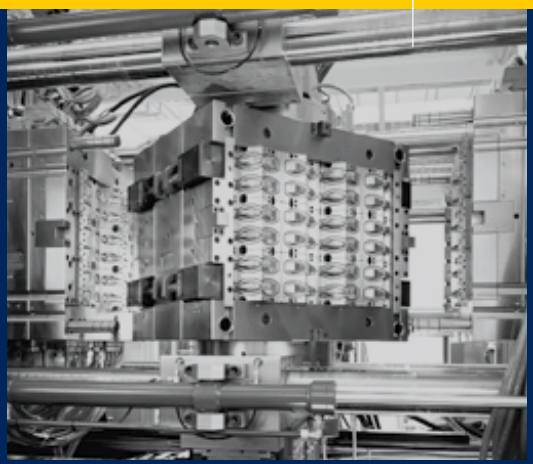
PERFORMANCE DATA AND EMPLOYEES

in CHF millions

	1999	2000	2001	2002	2003
Total income	70.4	112.5	73.9	76.1	141.6
EBITDA	20.4	34.8	19.5	20.6	33.4
EBIT	13.9	26.0	12.5	13.4	22.9
Capital expenditure	7.0	15.6	18.1	9.2	14.2
Employees	233	285	289	317	520

VALUE FOR ITS CUSTOMERS

sequences are possible in combination with the multi-functional cube system. For example, in the in-mold assembly (IMA) process various components are assembled directly in the mold.



Futuristic design for wet razors – implemented with multi-component molds from the Injection Molding Division.

CORPORATE GOVERNANCE

Our principles of corporate governance are based on the Articles of Incorporation and the regulations governing the organization and conduct of business. The following report conforms essentially to the structure specified by the SWX for such information.

Corporate structure and shareholders

Adval Tech Holding Ltd is organized as a holding company under Swiss law and directly or indirectly owns all Adval Tech companies worldwide. For operational purposes, the Adval Tech Group is organized in two divisions. Business is conducted through the relevant group companies (cf. Group structure, page 10). The following companies are included in the scope of consolidation (all unlisted except Adval Tech Holding Ltd):

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

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

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

There are no shareholders' pooling agreements and no capital or voting cross-holdings.

The overall structure of shareholdings at December 31, 2003, was as follows:

Number of shares	Number of shareholders
1 to 50	447
51 to 100	72
101 to 1,000	68
1,001 to 5,000	5
More than 5,000	6
Total	**598**

Capital structure

- As of December 31, 2003, the capital stock of Adval Tech Holding amounted to CHF 7.0 million, divided into 350,000 registered shares with a par value of CHF 20 each. This total consists of 150,000 unlisted A registered shares and 200,000 listed B registered shares. All the shares carry voting and dividend rights. With respect to restrictions on registration, reference is made to the section on stockholders' rights of co-determination.

- As of December 31, 2003, there was no authorized or conditional capital, nor were any participation or dividend-right certificates, convertible bonds or options in issue.

- Adval Tech B registered shares have been listed on the Swiss Stock Exchange since June 4, 1998, under securities code number 896 792. Their Telekurs ticker symbol is ADVN, their Bloomberg symbol ADVN SW. The shareholders' register is maintained by SAG SIS Aktienregister AG, Baslerstrasse 100, 4600 Olten, on behalf of Adval Tech Holding Ltd.

Changes in the shareholders' equity of Adval Tech Holding Ltd are as follows:

	31.12.2003	31.12.2002	31.12.2001
Share capital	7,000,000	7,000,000	7,000,000
General reserves	1,550,000	1,550,000	1,550,000
Reserve for treasury stock	170,386	222,812	133,920
Free reserves	14,925,261	14,872,835	14,961,727
Share capital and reserves	*23,645,647*	*23,645,647*	*23,645,647*
Balance brought forward	22,308,967	17,284,755	8,303,204
Net profit for the year	9,511,982	9,224,212	13,181,551
Retained earnings	*31,820,949*	*26,508,967*	*21,484,755*
Total shareholders' equity	**55,466,596**	**50,154,614**	**45,130,402**

Board of Directors

The Board of Directors of Adval Tech Holding Ltd is composed of the following members:

- **Herbert Thönen** (Chairman), born 1934, Swiss; attorney-at-law; Bubenberg Law & Notary's Office, Bern; director since 1997, non-executive, term of office expires at the AGM for the 2005 fiscal year.
- **Walter Grüebler** (Vice Chairman), born 1942, Swiss; PhD (Econ.) St. Gall; CEO of Sika Ltd; director since 1997, non-executive, term of office expires at the AGM for the 2005 fiscal year.
- **Hansruedi Bienz,** born 1936, Swiss; businessman; director since 1967, non-executive, term of office expires at the AGM for the 2005 fiscal year; CEO of the Adval Tech Group from 1991 through 2000.
- **Hans Dreier,** born 1953, Swiss; MBA FH; executive director since 1988, Head of Marketing and Logistics at the Adval Tech Group, term of office expires at the AGM for the 2005 fiscal year.
- **Josef Reissner,** born 1939, Austrian; Prof. Dr., Head of the Institute for Virtual Production at the Swiss Federal Institute of Technology in Zurich (FITZ); director since 1997, non-executive, term of office expires at the AGM for the 2005 fiscal year.

- **Rudolf Styner,** born 1925, Swiss; MSc. (Mech. Eng.) HTL; director since 1957, non-executive, term of office expires at the AGM for the 2005 fiscal year; Chairman of the Board of the Adval Tech Group from 1969 through 1997.

Herbert Thönen is chairman of the board of directors of ABC Holding AG, Schönbühl. Walter Grüebler is a member of the board of directors of Quadrant AG, Lenzburg.

Otherwise the members of the Board of Directors are not members of any other executive and supervisory bodies of significant Swiss or foreign corporations, institutions and foundations under private or public law and also hold no important political offices. In terms of the Articles of Incorporation of Adval Tech Holding Ltd, the Board of Directors has at least three members, who are elected for a three-year term of office. Reelection is permitted. There are no interlocking directorships with other listed companies.

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 usually meets six times a year, with the Chairman presiding. It performs the following duties: guidance and supervision of executive management, definition of corporate strategy, definition of long-term corporate objectives, and definition of business policy.

The Board of Directors informs itself periodically, usually quarterly, regarding the course of business in the group, the divisions and the group companies, the degree to which objectives have been achieved and the actions foreseen for this purpose. It arranges to be informed as necessary about the progress of strategic projects. In addition to these written reports, the members of group management attend the board meetings, at which open issues and further inquiries can be discussed or answered. Proposals and reports are submitted in writing to the Board of Directors in good time prior to the meeting. Cooperation with the auditors is described on page 30.

The Board of Directors has delegated coordination of the current business of the companies to group 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.

Herbert Thönen, Walter Grüebler and Hansruedi Bienz are members of the Nominations and Compensation Committee. This committee prepares decisions on personnel at executive management level (group management) and stipulates remuneration and bonus payments for the Board of Directors and group management. The committee accepts the reports and proposals of the CEO at its meetings and decides independently. The committee meets as often as business requires; there were two meetings in 2003. There are no other board committees.

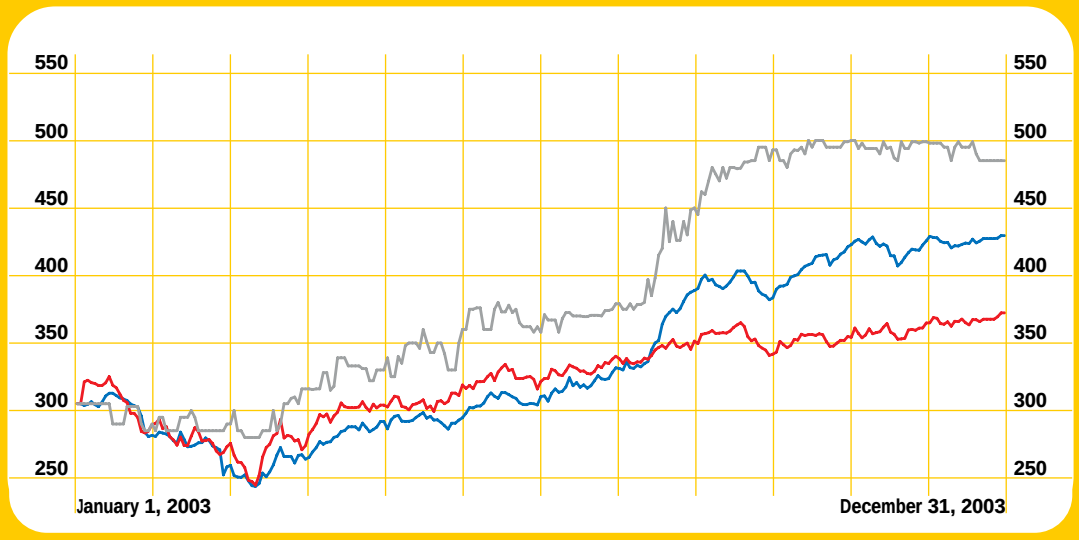
Executive management

The executive management team of the Adval Tech Group (group management) as of January 1, 2004:

- **Jean-Claude Philipona,** born 1953, Swiss; with Adval Tech since 1997; Chief Executive Officer, also acting as CFO; MBA.
  Career: executive management consultant, focusing on strategy, organization and controlling; CFO and member of executive management at an internationally oriented industrial corporation; joined the Adval Tech Group as CFO in anticipation of the IPO, CEO since January 1, 2001. Member of the executive committee of Swissmem, consultative member of the Audit Committee of Crealogix Holding AG.
- **Josef Krummenacher,** born 1941, Swiss; with Adval Tech since 1974; Head of the Injection Molding Division; Toolmaker and Production Technician TS.
  Career: designer, with AWM since 1966, initially as Head of Design, then as Production Manager,

PRICE TRENDS

January 1, 2003, to
December 31, 2003



Swiss Performance Index
Price of Adval Tech shares
Swiss machinery industry index

Share statistics 2003

A registered shares	Number	150,000
B registered shares	Number	200,000
Total registered shares	**Number**	**350,000**
EBIT per share	CHF	73.47
Net profit per share	CHF	48.98
Shareholders' equity per share	CHF	312.13
Dividend per share (proposed by the Board)	CHF	14.00
Payout ratio	%	28.6
P/E ratio		9.9
Market prices		
High (31.10.2003)	CHF	500
Low (7.3.2003)	CHF	280
December 31, 2003	CHF	485
Market capitalization		
High	CHF millions	175.00
Low	CHF millions	98.00
December 31, 2003	CHF millions	169.75

and since 1974 as General Manager of the AWM companies, Head of Division since 1997. Member of the board of trustees of Aargau Technical College and member of the management board of the Association for the Advancement of the Plastics Training and Technology Center (KATZ) in Aarau.

- **Joachim Kaufmann,** born 1954, German; with Adval Tech since 1999; Head of the Stamping and Forming Division; MSc. (Mech. Eng.) HTL.
  Career: development engineer; technical director of a foreign branch of an international industrial group; General Manager and member of the group management at an industrial group in the toolmaking and systems engineering sector; as of 1999 General Manager of Styner+Bienz Metall Ltd, Head of Division since January 1, 2003.
- **Fritz Gaukel,** born 1941, Swiss; with Adval Tech since 1973; Head of Strategic Projects; MSc. (Mech. Eng.) HTL.
  Career: designer for equipment engineering at an international group; production manager and assistant to executive management at an internationally oriented plastics processing company; joined Styner+Bienz as Production Manager, as of 1974 member of executive management, from 1988 through 2002 General Manager of the Styner+Bienz companies and Head of the Stamping and Forming Division.
- **Hans Dreier,** born 1953, Swiss; with Adval Tech since 1982; Head of Marketing and Logistics; MBA FH.
  Career: project manager, then systems manager at an international information technology group in Germany, joined Styner+Bienz as Head of Information Technology, as of 1984 Head of Sales and Marketing, since 1997 member of group management in his current position.

The members of group management are not members of any other executive and supervisory bodies of significant Swiss or foreign corporations, institutions and foundations under private or public law and also hold no important political offices.

Remuneration, equity holdings and loans

The Appointments and Compensation Committee defines the remuneration of the Board of Directors and group management. Remuneration is defined so as to conform with market rates for the position in question and to reflect the performance of the individual. The remuneration of the Board of Directors consists of a fixed fee, an attendance fee and a lump sum to cover expenses. The remuneration of the members of group management consists of a fixed component and a variable component reflecting business performance and the achievement of targets. No shares or options were allocated in 2003. The remuneration of the five serving executive directors and officers in 2003 totaled CHF 2,145,924. Serving non-executive directors received remuneration totaling CHF 161,000 in 2003. No severance or compensation payments were made to former directors and officers in 2003. The highest total remuneration of a member of the Board of Directors in 2003 amounted to CHF 301,347. This figure was recalculated in accordance with the accrual principle as stipulated by the SWX.

As of December 31, 2003, executive directors and officers (incl. closely associated persons) held a total of 33,363 shares of Adval Tech Holding Ltd, non-executive directors (incl. closely associated persons) a total of 159,617 shares. A total of CHF 30,000 was paid to Prof. Dr. Reissner in 2003 as an additional fee. This covered services rendered to the Adval Tech Group in the context of research and development projects. At no time in 2003 were loans outstanding to directors and officers of the Adval Tech Group.

Shareholders' rights of co-determination

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 7 of the Articles of Incorporation of Adval Tech Holding Ltd dated May 25, 1998, purchasers

of shares in excess of 5% 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. 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. No such exceptions were granted in the year under review. These voting restrictions do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all share votes when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Rudolf Styner, Hansruedi Bienz, Ordinary Partnership Dreier). Fiduciary entries in the shareholders' register are only possible without voting rights. The Articles of Incorporation of Adval Tech Holding Ltd regarding statutory quorum requirements conform to legal provisions.

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.

There are no regulations differing from the Swiss Code of Obligations regarding the convening of a general meeting and the inclusion on the agenda of items for discussion.

Shareholders who are entered with voting rights in the shareholders' register at least 14 days prior to the annual general meeting are entitled to vote at the meeting. Shareholders who have sold shares prior to the annual general meeting are not entitled to vote in respect of the shares sold.

Change of control and defensive measures

The Articles of Incorporation of Adval Tech Holding Ltd include no provisions for "opting-out" or "opting-up" upon reaching the legal value threshold.

Auditors

PricewaterhouseCoopers AG in Bern, respectively, their legal predecessors Revisuisse PriceWaterhouse, were elected as statutory auditors for Adval Tech Holding Ltd and as group auditors in 1991. Messrs. Jürg Kummer (since 1998) and Martin Köhli (since 2000) act as lead auditors. Auditors for Adval Tech Holding Ltd and the consolidated financial statements are elected for a term of office of one year. Audit fees paid to PricewaterhouseCoopers AG in 2003 totaled CHF 159,030. Fees of CHF 70,100 were paid to other auditing firms for auditing the financial statements of group companies. PricewaterhouseCoopers AG were also paid CHF 137,715 in 2003 for legal and tax consulting services.

The auditors usually report their audit findings in writing to the Board of Directors. They also attended one meeting in 2003 in order to explain the results of their audit.

Information policy

Adval Tech attaches great importance to pursuing an open information policy and maintaining contacts with financial analysts, business journalists and other interested parties. CEO Jean-Claude Philipona is available to these target groups as the person to contact directly. The main cornerstones of Adval Tech's information offering are its regularly updated website at www.advaltech.com and the company's annual and interim reports.

The next annual general meeting of Adval Tech Holding Ltd will be held in Bern on Thursday, June 17, 2004.

The report on the first half of 2004 will be published at the beginning of September.