

advaltech

FINANCIAL REPORTS 2004

2004

2004

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These financial reports are an integral part of the Adval Tech annual report 2004.

POSITION WELL MAINTAINED IN A DIFFICULT ENVIRONMENT

The emphasis for the Adval Tech Group in the 2004 financial year was on consolidation. Adval Tech was unable to repeat the previous year's excellent results, but all the year-end figures were within the range of expectations published at the end of August. Total income rose by 8% to CHF 260.7 million, operating earnings (EBIT) declined by 19% to CHF 20.9 million and net profit of CHF 15.6 million was 9% lower.

Commissioning of numerous tools for manufacturing new products resulted in high expenditure in both divisions in the past year. Margins were also depressed by the integration of Lanz Industrietechnik AG, the unfavorable trend in the US dollar, lower prices in some sales markets and higher costs of material that could not be passed on in full.

The Injection Molding Division operating under the AWM and Foboha brand names posted an increase in total income from CHF 141.6 million to CHF 148.8 million (+5%) in the year under review. However, together with the pressure on prices for OD molds, a shift in the relative proportions of molds away from molds in high volumes and toward single molds resulted in lower margins and therefore to a decline in EBIT from CHF 22.9 million to CHF 16.3 million. Nevertheless, the EBIT margin is still a pleasing 11%. The division is well prepared for the future: it actually brought two trend-setting innovations to the market launch stage in the year under review. Foboha's double cube system and the new generation of AWM molds for manufacturing optical discs. Both innovations enable customers to achieve substantial improvements in efficiency.

Due to its acquisition of Lanz Industrietechnik AG and growth in its core business activities, the Stamping and Forming Division posted an increase in total income from CHF 100.3 million to CHF 113.2 million (+13%) in the year under review. In a very difficult business environment the division also succeeded in increasing EBIT slightly to CHF 3.8 million (CHF 3.3 million in 2003) through improved

productivity, thus maintaining the EBIT margin at the previous year's level.

In the context of the acquisition of Lanz Industrietechnik AG, the general meeting of Adval Tech Holding Ltd last year increased the company's share capital by CHF 0.3 million to CHF 7.3 million and at the same time created a single category of shares. Market capitalization thus increased by 70%. Adval Tech shares have performed encouragingly. After starting the year at CHF 500 and recording a high point of CHF 640 in April, they closed at CHF 580 at year end (+16% year-on-year).

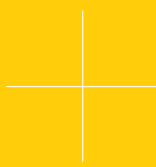
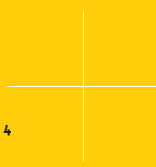
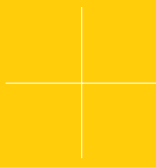
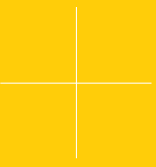
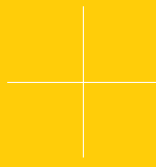
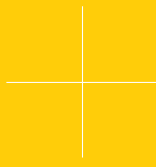
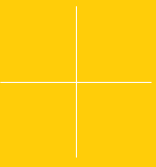
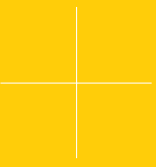
With the election of entrepreneur Michael Pieper in June 2004 the first step in the renewal of the Board of Directors was taken. At the annual general meeting scheduled for June 16, 2005, two further candidates will be proposed for election to the Board, in the persons of Leonardo Attanasio and Roland Waibel. Leonardo Attanasio ended his impressive career in the automotive components supply industry (Conti Tech Group, Johnson Controls) in November 2004, Roland Waibel is Chief Financial Officer of the Lonza Group. The additions being made to the membership of the Board of Directors will facilitate a seamless transition between the succeeding generations of management. Rudolf Styner will retire from the Board at the annual general meeting scheduled for June 16, 2005, Herbert Thönen and Hansruedi Bienz will not stand for re-election in 2006.

The globalization of our industry and the associated transfer of jobs to Asia and Eastern Europe are exerting additional pressure on prices. It is therefore all the more necessary to apply our technological expertise in both divisions to developing new applications, marketing our new products and processes to optimum effect and utilizing existing capacity more efficiently. Large numbers of current customer innovations certainly offer good opportunities in this respect.

KEY FIGURES OF THE ADVAL TECH GROUP

	2004	2003	2002	2001	2000
Total income (CHF millions)					
Group	260.716	240.969	172.973	177.283	209.573
change in %	+8.2	+39.3	-2.4	-15.4	+26.7
per employee (CHF thousands)	245.033	240.248	213.021	222.857	266.802
Stamping and Forming Division	113.199	100.332	97.290	104.183	98.416
Injection Molding Division	148.766	141.647	76.138	73.878	112.488
EBITDA (CHF millions)					
Operating earnings before depreciation	39.8	43.7	31.5	28.1	41.9
in % of total income	15.3	18.1	18.2	15.9	20.0
Stamping and Forming Division	11.8	10.4	10.1	8.1	6.4
Injection Molding Division	27.1	33.4	20.6	19.5	34.8
EBIT (CHF millions)					
Operating earnings	20.9	25.7	15.9	13.8	27.2
in % of total income	8.0	10.7	9.2	7.8	13.0
Stamping and Forming Division	3.8	3.3	2.0	0.9	0.6
Injection Molding Division	16.3	22.9	13.4	12.5	26.0
Net profit (CHF millions)					
Net profit for the year	15.6	17.1	10.8	10.6	19.0
in % of total income	6.0	7.1	6.2	6.0	9.1
Cash flow and capital expenditure (CHF millions)					
Cash flow from operations	13.8	34.3	35.4	29.8	21.7
Free cash flow	3.1	-14.0	23.8	-1.1	-14.1
Capital expenditure	12.1	19.8	15.5	32.2	32.0
Balance sheet figures (CHF millions)					
Total assets	278.4	254.8	216.8	228.6	222.0
Shareholders' equity	126.2	109.2	115.4	115.6	109.9
in % of total assets	45.3	42.9	53.2	50.6	49.5
Employees					
on December 31	1,108	1,013	828	796	795
Market capitalization (CHF millions)					
on December 31	211.7	169.8	106.8	119.0	202.7
Selected key figures per share					
Earnings (CHF)	42.73	48.98	30.75	30.22	54.36
Dividend (CHF)	14.00 ¹⁾	14.00	12.00	12.00	12.00
Payout ratio in %	32.8	28.6	39.0	39.7	22.1
P/E ratio on December 31	13.6	9.9	9.9	11.3	10.7

1) Proposed by the Board of Directors



ACCOUNTING PRINCIPLES

GENERAL INFORMATION

The consolidated accounts are based on the financial statements drawn up by the individual group companies in accordance with uniform principles as at December 31.

The consolidated financial statements have been prepared in conformity with the recommendations issued by the Board for Financial Reporting Standards (Swiss GAAP FER). The consolidated financial statements provide a true and fair view of the company's financial position, results of operations and cash flows.

CONSOLIDATION PRINCIPLES

Capital consolidation is performed according to the Anglo-Saxon method and is intended to show shareholders' equity as though the group were a single company.

Subsidiaries and investment holdings are included in the scope of consolidation from the date of acquisition or incorporation. Assets and liabilities are valued in accordance with uniform group principles on this date. Any difference between the purchase price and the shareholders' equity of the acquired company remaining after revaluation is stated in the balance sheet as positive or negative goodwill, or posted directly to shareholders' equity. Positive goodwill items are written off over the expected useful life not exceeding 20 years as a charge to the income statement, negative goodwill items are liquidated pro rata over 5 years as a credit to the income statement.

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

- Companies in which Adval Tech Holding Ltd holds a direct or indirect capital or voting interest of **more than 50%** and/or the group exercises management and control, are fully consolidated. In such cases, assets and liabilities, expenses and income are included in full in the consolidated financial statements. If appropriate, minority interests of other shareholders in net assets and net profit are segregated and stated separately. Accounts receivable, accounts payable, income and expenses between group companies are mutually offset. Intragroup profits or losses on intercompany deliveries are estimated and eliminated via the income statement.
- Associated companies in which the group controls **between 20% and 50%** of the votes are included in the consolidated financial statements using the equity method if they are of economic significance and a permanent association is intended. The share of profits and shareholders' equity attributable to the Adval Tech Group is then included.
- **All other investments** are included in the balance sheet at cost less any provisions.

The group applies the following principles in respect of **foreign currency translation**: the balance sheets of foreign companies are translated at year-end exchange rates, the 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 for long-term financing of investments are posted directly to shareholders' equity.

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

VALUATION PRINCIPLES

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. Assets and liabilities are valued individually. The main accounting principles are set out below.

Current assets

- **Liquid assets** include cash, credit balances on postal giro and bank accounts, time deposits and readily marketable securities. These are included in the balance sheet at market value on balance sheet date.
- **Receivables** include trade accounts receivable and other short-term receivables. These are stated at face value less individual provisions for specific credit and exchange risks.
- **Inventories and work in progress** are stated at the lower of acquisition/manufacturing cost or market value. Provisions are made for risks inherent in the inventories. Long-term orders with individual contract values of more than CHF 0.5 million are stated according to the percentage-of-completion method. Income and costs are taken into account according to the degree of completion. The degree of completion is calculated according to the cost-to-cost method. Discounts are included in financial income.

Fixed assets

- **Tangible fixed assets** are stated at cost less accrued depreciation, which is calculated using the straight-line method on the basis of estimated useful life. In the case of buildings we apply a useful life of 30 to 40 years, for machinery, equipment and fixtures 5 to 15 years, for especially long-lived machinery up to 25 years, for office equipment and machinery including computer hardware and software 3 to 8 years. Interest on borrowings arising from the

establishment of new tangible fixed assets is included as expenditure in the period in which it is incurred.

- **Financial assets** consist of investment holdings consolidated using the equity method, other investments, securities in the nature of long-term investments and long-term loans to third parties. Securities are stated at the lower of cost or market on balance sheet date, loans at face value less accrued provisions.
- Patents, licenses and trademarks, whether originating in-house or acquired, are not capitalized in the consolidated financial statements. Research and development costs are charged to the income statement. Any goodwill arising from the acquisition of a company is capitalized under **intangible assets** and written off using the method described above, unless it was offset directly against shareholders' equity upon purchase. Costs of incorporation, which are written off over 5 years, are also included in this item.
- **Capital goods** financed by long-term leasing contracts (financial leasing) are capitalized and written off over their useful life. The present values of the relevant leasing commitments are included under liabilities.
- If there is evidence of **impairment of assets**, their realizable value is estimated. Impairments are posted to income if the book value of an asset is higher than its realizable value; this is the higher of the net disposal value and the useful value of an asset, which corresponds to the net present value of the estimated future cash flow.

Liabilities

- Trade **accounts payable** and other liabilities are stated in the balance sheet at face value. Liabilities maturing in less than one year, as well as that portion of long-term liabilities that is due

for repayment within one year, are regarded as short term.

- **Accrued liabilities** include non-interest-bearing amounts owed on balance sheet date, such as social security contributions and insurance premiums, allowances for holiday and overtime entitlements, and similar liabilities, including provisions for current taxes.
- The provision for **deferred taxes** takes account of the income tax implications of the differences between balance sheet figures for assets and liabilities compiled for consolidation purposes and those required for local taxation purposes. These are calculated on the basis of the appropriate rate per company. The provision is adjusted directly via tax expenses.
- Warranties, risks, impending losses and restructuring costs are included in **provisions**. These provisions relate exclusively to transactions originating in the old financial year. The size of the provisions is based on management estimates and reflects future expenses as expected on balance sheet date. Provisions for receivables are charged directly to the relevant balance sheet position (collection risk).

Shareholders' equity

The following distinctions are made in respect of reserves:

- The difference between shareholders' equity and the original cost of the investment holdings stated in the context of the uniform valuation of assets and liabilities on January 1, 1996, is posted to **capital reserves**. These include revaluation reserves, differences in offsetting capital in connection with newly consolidated companies, etc. Any positive or negative goodwill is treated in accordance with the consolidation principles set out above.

■ The **revaluation reserves** represent the differences arising from the revaluation of tangible fixed assets after January 1, 1996.

■ **Retained earnings** include all profits generated by the group itself since January 1, 1996, and not distributed.

CONSOLIDATED BALANCE SHEET

CHF 1000	Notes	2004	2003
Liquid assets	2	8,891	11,886
Receivables	3	46,085	34,401
Inventories and work in progress	4	73,603	62,370
Prepaid expenses and accrued income		974	676
Total current assets		129,553	109,333
Tangible fixed assets	5	148,019	143,907
Financial assets	6	754	1,358
Intangible assets		30	164
Total fixed assets		148,803	145,429
Total assets		278,356	254,762
Trade accounts payable	7	26,100	21,540
Liabilities arising from short-term financing	8	8,596	7,220
Other short-term liabilities	9	4,480	3,260
Accrued expenses	10	11,364	15,675
Total short-term liabilities		50,540	47,695
Liabilities arising from long-term financing	11	84,141	78,733
Long-term provisions	12	17,449	19,087
Total long-term liabilities		101,590	97,820
Total liabilities		152,130	145,515
Share capital		7,300	7,000
Capital reserves		57,324	49,568
Revaluation reserves		1,486	1,486
Reserve for treasury stock		-82	170
Translation differences		-6,797	-6,240
Retained earnings		66,995	57,263
Total shareholders' equity	13	126,226	109,247
Total liabilities and shareholders' equity		278,356	254,762

CONSOLIDATED INCOME STATEMENT

CHF 1000	Notes	2004	2003
Sales revenues	14	246,871	230,432
Sales deductions		-578	-1,419
Net turnover		246,293	229,013
Change in inventories of semi-finished and finished goods		7,725	7,425
Own work capitalized		357	614
Other operating income	15	6,341	3,917
Total income	14	260,716	240,969
Cost of materials and services	16	92,343	76,136
Personnel expenses	17	94,007	87,157
Other operating expenses	18	34,530	33,986
Operating expenses		220,880	197,279
Operating earnings before depreciation (EBITDA)	14	39,836	43,690
Depreciation on tangible fixed assets	5	18,850	17,676
Other depreciation and provisions		133	298
Depreciation and provisions		18,983	17,974
Operating earnings (EBIT)	14	20,853	25,716
Financial income	19	1,912	2,020
Financial expenses	19	-4,601	-2,934
Net financial income		-2,689	-914
Non-operating income	20	625	-759
Taxes	21	-3,192	-6,899
Non-operating income and taxes		-2,567	-7,658
Net profit after taxes		15,597	17,144

CONSOLIDATED CASH FLOW STATEMENT

CHF 1000	Notes	2004	2003
Net profit after taxes		15,597	17,144
Depreciation on tangible fixed assets	5	18,850	17,676
Depreciation on financial assets and intangible assets		133	303
Increase (+)/decrease (-) in long-term provisions		-772	-343
Increase (+)/decrease (-) in provision for deferred taxes		-965	1,047
Gain (-)/loss (+) from sales of tangible fixed assets		-402	-181
		32,441	35,646
Increase (-)/decrease (+) in receivables	3	-6,047	-3
Increase (-)/decrease (+) in inventories	4	-8,356	-6,607
Increase (-)/decrease (+) in prepaid expenses and accrued income		300	577
Increase (+)/decrease (-) in short-term liabilities	7,9,10	-4,574	4,701
Cash provided by operating activities		13,764	34,314
Capital expenditure	5,14	-12,123	-19,824
Income from sales of tangible fixed assets		834	449
Increase (-)/decrease (+) in financial assets	6	140	-29,449
Increase (-)/decrease (+) in intangible assets		0	-2
Change in the scope of consolidation	1	507	560
Cash used for investing activities		-10,642	-48,266
Free cash flow		3,122	-13,952
Dividends paid	13	-4,900	-4,200
Capital paid in (repaid)		-194	0
Change in other reserves		0	0
Increase/decrease in short-/long-term debt	8,11	-1,786	4,601
Cash provided by financing activities		-6,880	401
Translation adjustments		763	495
Change in liquid assets	2	-2,995	-13,056
Liquid assets on December 31		8,891	11,886
Liquid assets on January 1		11,886	24,942
Change in liquid assets		-2,995	-13,056

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF 1000	Share capital	Capital reserves	Revaluation reserves	Reserve for treasury stock	Translation difference	Retained earnings	Total shareholders' equity
At January 1, 2003	7,000	49,568	1,486	223	-7,078	64,227	115,426
Dividends						-4,200	-4,200
Changes in the scope of consolidation						-19,961	-19,961
Miscellaneous				-53		53	0
Change in translation difference					838		838
Net profit for the year						17,144	17,144
At December 31, 2003	7,000	49,568	1,486	170	-6,240	57,263	109,247
Dividends						-4,900	-4,900
Changes in the scope of consolidation						-1,280	-1,280
Miscellaneous				-252		315	63
Increase in share capital	300	7,756					8,056
Change in translation difference					-557		-557
Net profit for the year						15,597	15,597
At December 31, 2004	7,300	57,324	1,486	-82	-6,797	66,995	126,226

All substantial changes in shareholders' equity are explained in explanatory note 13.

I. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

Company	Registered office	Share capital/capital stock	Equity holding
Adval Tech Holding Ltd	Niederwangen	CHF in 1000 7,300	
Adval Tech Management Ltd	Niederwangen	CHF 100	100%
Styner+Bienz FormTech Ltd	Niederwangen	CHF 3,050	100%
Lanz Industrietechnik AG	Wolfwil	CHF 1,250	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	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, China	HKD 10	100%
AWM Mold Tech Trading (Shanghai) Co. Ltd	Shanghai, China	USD 200	100%
AWM Mold Service US Inc.	Beverly, MA, USA	USD 1	100%
Foboha Holding GmbH	Haslach, Germany	EUR 25	100%
Foboha GmbH	Haslach, Germany	EUR 512	100%
Foboha US, Inc.	Beverly, MA, USA	USD 1	100%

Lanz Industrietechnik AG, Wolfwil, was acquired in the year under review and included in the scope of consolidation with effect from the end of June 2004. This acquisition was effected via an increase in share capital and was cash neutral.

AWM Mold Tech Trading Co. Ltd was incorporated in Shanghai in September. This company commenced operations in the fourth quarter of 2004.

Exchange rates

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

- Year-end rates
EUR 1.5440, USD 1.1318, HKD 0.1456,
BRL 0.4261, CNY 0.1369, CAD 0.9397,
GBP 2.1802.
- Average rates for the year
EUR 1.5438, USD 1.2429, HKD 0.1596,
BRL 0.4254, CNY 0.1456, CAD 0.9559,
GBP 2.2762.

FINANCIAL STATEMENTS

2. LIQUID ASSETS

CHF 1000	2004	2003
Cash, postal giro, banks	8,891	11,886
Total liquid assets	8,891	11,886

The change in the liquid assets item in the year under review is shown in the cash flow statement.

3. RECEIVABLES

CHF 1000	2004	2003
Trade accounts receivable	39,172	29,424
Other short-term receivables	6,913	4,977
Total receivables	46,085	34,401

About half of the increase in trade accounts receivable was attributable to the first-time consolidation of Lanz Industrietechnik AG. The remainder of the increase was due to higher sales and slightly longer payment terms for accounts receivable at both divisions.

The allowance for doubtful receivables deducted directly from the receivable amount totaled CHF 1.5 million (CHF 2.1 million in 2003).

The increase in other short-term receivables was mainly attributable to higher advance payments to suppliers.

4. INVENTORIES AND WORK IN PROGRESS

CHF 1000	2004	2003
Goods for sale	1,869	963
Raw material	4,651	3,908
Semi-finished and finished goods	34,257	29,681
Work in progress	32,826	27,818
Total inventories and work in progress	73,603	62,370

Inventories and work in progress were CHF 11.2 million higher than in the previous year. The integration of Lanz accounted for CHF 2.5 million of this total. The Injection Molding Division accounted for most of the remainder of the increase, which was due to the following:

- higher volumes of spare parts for optical disc molds,
- development of a new generation of optical disc molds,
- higher order volumes in the components business.

Inventories related to other toolmaking activities were largely based on firm orders.

Income from long-term orders based on the percentage-of-completion method amounted to CHF 5.5 million (CHF 10.9 million in 2003).

5. TANGIBLE FIXED ASSETS

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

CHF 1000	Land	Buildings	Production equipment and machinery	Other tangible fixed assets	Installations under construction	Total
Cost						
At January 1, 2004	5,251	84,420	152,277	33,403	5,288	280,639
Changes in the scope of consolidation	1,500	3,632	6,723	0	0	11,855
Capital expenditure in the year under review	392	604	11,086	2,782	6,327	21,191
Disposals	0	0	-5,842	-1,858	-9,068	-16,768
Other changes	0	0	0	0	0	0
Change in accumulated translation difference	-9	-68	-325	-88	0	-490
At December 31, 2004	7,134	88,588	163,919	34,239	2,547	296,427
Accumulated depreciation						
At January 1, 2004	0	-21,602	-97,145	-17,927	-58	-136,732
Changes in the scope of consolidation	0	0	0	0	0	0
Depreciation in the year under review	0	-2,774	-11,047	-5,029	0	-18,850
Disposals	0	0	5,555	1,713	0	7,268
Other changes	0	0	-300	0	0	-300
Change in accumulated translation difference	0	-32	179	59	0	206
At December 31, 2004	0	-24,408	-102,758	-21,184	-58	-148,408
Book values						
At January 1, 2004	5,251	62,818	55,132	15,476	5,230	143,907
At December 31, 2004	7,134	64,180	61,161	13,055	2,489	148,019
Of which leased installations						
At January 1, 2004	0	0	2,813	0	0	2,813
At December 31, 2004	1,500	3,632	2,858	0	0	7,990

In the year under review the group invested CHF 12.1 million in tangible fixed assets (total investments in the year under review less disposals of installations under construction).

The first-time consolidation of Lanz resulted in a CHF 11.9 million increase in tangible fixed assets. The figures for land and buildings have been stated in the balance sheet under financial leasing by virtue of the structure of this transaction.

The very subdued level of investment in tangible fixed assets in 2004 resulted in an investment ratio of 4.6% (investments in tangible fixed assets as a proportion of total income). The emphasis was on expenditure on plant replacements and selective expansion of manufacturing facilities as well as updating the information technology platform at one location.

6. FINANCIAL ASSETS

CHF 1000	2004	2003
Treasury stock	0	170
Other long-term receivables	754	973
Long-term loans to third parties	0	215
Total financial assets	754	1,358

In conformity with accounting regulations in effect since 2004, the book value of treasury stock is no longer capitalized, but is deducted from shareholders' equity.

7. TRADE ACCOUNTS PAYABLE

CHF 1000	2004	2003
Trade accounts payable	14,592	9,422
Advanced payments by customer	11,508	12,118
Total trade accounts payable	26,100	21,540

More than two-thirds of the CHF 5.2 million increase in trade accounts payable was attributable to the first-time consolidation of Lanz Industrie-technik AG. The Injection Molding Division was the main source of the remainder of this increase due to higher purchasing volumes (services).

8. LIABILITIES ARISING FROM SHORT-TERM FINANCING

CHF 1000	2004	2003
Liabilities arising from short-term financing	8,596	7,220

These are short-term bank loans. This item is offset by liquid assets totaling CHF 8.9 million (gross figures).

9. OTHER SHORT-TERM LIABILITIES

CHF 1000	2004	2003
Short-term leasing liabilities	1,033	585
Other short-term liabilities	3,447	2,675
Total other short-term liabilities	4,480	3,260

11. LIABILITIES ARISING FROM LONG-TERM FINANCING

CHF 1000	2004	2003
Mortgages	17,500	18,250
Long-term leasing liabilities	5,816	2,031
Long-term interest-bearing liabilities	59,795	56,373
Other long-term liabilities	1,030	2,079
Total liabilities from long-term financing	84,141	78,733

10. ACCRUED EXPENSES

CHF 1000	2004	2003
Accrued expenses	10,398	12,999
Accrued current taxes	966	2,676
Total accrued expenses	11,364	15,675

Long-term interest-bearing liabilities consist of liabilities to banks (loans) excluding mortgage loans. The increase in long-term leasing liabilities was attributable to the inclusion of the premises in Wolfwil under financial leasing (see note 5).

The decline in accrued expenses despite the first-time consolidation of Lanz was mainly attributable to lower accruals for the provision of services and delivery of materials as well as refunds to customers.

12. LONG-TERM PROVISIONS

CHF 1000	Provision for deferred taxes	Other long-term provisions	Total long-term provisions
At January 1, 2004	16,092	2,995	19,087
Changes in the scope of consolidation	130		130
Addition	1,217	51	1,268
Release	-2,182	-823	-3305
Drawing			0
Other changes			0
Change in translation difference	-18	-13	-31
At December 31, 2004	15,239	2,210	17,449

On December 31, 2003, and at the end of the year under review there were no provisions for restructuring nor pension provisions.

13. SHAREHOLDERS' EQUITY

The share capital on December 31, 2004, consisted of:

Number of registered shares (fully paid)	365,000
Par value (CHF)	20
Share capital (CHF)	7,300,000

The following transactions were effected with treasury stock in the year under review:

	Price	Number
Holding on January 1		608
Purchases	562.67	15
Sales	517.15	340
Holding on December 31		283

Consolidated statement of changes in equity for 2004:

CHF 1000	Share capital	Capital reserves	Revaluation reserves	Reserve for treasury stock	Translation difference	Retained earnings	Total shareholders' equity
At January 1, 2004	7,000	49,568	1,486	170	-6,240	57,263	109,247
Dividends						-4,900	-4,900
Changes in the scope of consolidation						-1,280	-1,280
Miscellaneous				-252		315	63
Increase in share capital	300	7,756					8,056
Change in translation difference					-557		-557
Net profit for the year						15,597	15,597
At December 31, 2004	7,300	57,324	1,486	-82	-6,797	66,995	126,226

The extraordinary general meeting of shareholders held on April 14, 2004, adopted a resolution to increase the share capital by CHF 0.3 million in connection with the purchase of Lanz Industrietechnik AG, Wolfwil, from Franke Holding AG. As a result of this increase in share capital, the capital reserves after deducting the costs of the increase in share capital rose by CHF 7.8 million.

The annual general meeting of shareholders held on June 17, 2004, adopted a resolution to introduce a single category of shares by canceling the existing Series A and B shares.

The appropriation of profit for the 2003 fiscal year included a dividend payment of CHF 4.9 million.

The offsetting of goodwill from acquisitions is shown under "Changes in the scope of consolidation in the year under review."

Excluding the direct charge of goodwill from acquisitions to shareholders' equity since first consolidation, the profit for 2004 would have been a total of CHF 1.1 million lower (CHF 1 million in 2003). Shareholders' equity at the end of the year under review would accordingly have been a total of CHF 19.2 million higher (CHF 19 million in 2003).

Non-distributable reserves at the end of the year under review amounted to CHF 12.2 million.

14. SEGMENTAL REPORTING

Sales revenues (gross turnover) resulted from sales and services rendered to third parties and are made up as follows, by division, business unit and region:

CHF 1000	2004		2003	
Stamping and Forming Division	107,285	43.5%	95,004	41.2%
- of which Tool and Special Machinery Manufacturing	6,758		12,795	
- of which Volume Parts Manufacturing	100,527		82,209	
Injection Molding Division	139,586	56.5%	135,428	58.8%
- of which Moldmaking	114,571		114,350	
- of which Volume Parts Manufacturing	25,015		21,078	
Total	246,871	100%	230,432	100%
Switzerland	75,703	30.7%	64,099	27.8%
- of which Stamping and Forming	31,764		28,095	
- of which Injection Molding	43,939		36,004	
Europe	112,217	45.5%	122,988	53.4%
- of which Stamping and Forming	60,761		54,016	
- of which Injection Molding	51,456		68,972	
North/Latin America	34,389	13.9%	26,469	11.5%
- of which Stamping and Forming	6,018		8,348	
- of which Injection Molding	28,371		18,121	
Asia/Oceania/Africa	24,562	9.9%	16,876	7.3%
- of which Stamping and Forming	8,742		4,545	
- of which Injection Molding	15,820		12,331	
Total	246,871	100%	230,432	100%

The trend in sales by region is very dependent on projects currently in progress. In assessing the above distribution of sales it must also be borne in mind that a further substantial portion of production output also goes indirectly to foreign users via Swiss customers.

The changes compared with the previous year are attributable to the following factors: the first-time consolidation of Lanz increased sales in Switzerland and Europe; shifts in sales by the Injection Molding Division resulted in higher sales in North and Latin America and Asia at the expense of Europe.

Other figures relating to the divisions:

CHF 1000	2004	2003
Stamping and Forming		
Total income	113,199	100,332
Operating earnings EBITDA	11,780	10,393
Operating earnings EBIT	3,801	3,299
Capital expenditure	4,199	5,228
Employees on December 31	553	485
Injection Molding		
Total income	148,766	141,647
Operating earnings EBITDA	27,089	33,419
Operating earnings EBIT	16,318	22,910
Capital expenditure	7,705	14,203
Employees on December 31	548	520

15. OTHER OPERATING INCOME

The rise in other operating income was due to the integration of Lanz, higher compensation for reduced utilization of customized production lines and higher revenues from sales of scrap.

16. COST OF MATERIALS AND SERVICES

The Injection Molding and Stamping and Forming divisions accounted for some three-fifths and two-fifths, respectively, of the sharp rise of 3.8 percentage points to 35.4% in the cost of materials and services relative to total income compared with 2003.

The following factors were responsible for the increase in the cost of materials at the Injection Molding Division: shifts in the product mix compared with the previous year, more outsourcing due to certain production bottlenecks, price reductions on the market for optical disc molds, and development work undertaken at the company's own risk. The higher cost of materials at the Stamping and Forming Division was due to the integration of Lanz, changes in the product mix and higher raw material prices.

17. PERSONNEL EXPENSES

In the year under review the average number of employees increased by 61 to 1064. Most of this increase is attributable to the integration of Lanz Industrietechnik AG, which was completed at the end of June 2004. While the total number of employees in the other units of the Stamping and Forming Division declined, the companies in the Injection Molding Division expanded their workforces in the year under review.

18. OTHER OPERATING EXPENSES

Other operating expenses include rent, maintenance and repair, operating materials, energy, property insurance, administrative expenses, losses on accounts receivable, warranty provisions and the cost of advertising and sales promotion.

19. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1000	2004	2003
Interest earned	556	595
Other financial income	1,356	1,425
Financial income	1,912	2,020
Interest paid	-2,724	-2,772
Depreciation on financial assets	0	-5
Other financial expenses	-1,877	-157
Financial expenses	-4,601	-2,934
Net financial income	-2,689	-914

Favorable interest rates enabled the amount of interest paid to be stabilized, despite a higher level of debt.

The rise in other financial expenses was due to the exchange rate losses included in this item.

20. NON-OPERATING INCOME

CHF 1000	2004	2003
Non-operating income	893	340
Non-operating expenses	-268	-1,099
Total non-operating income	625	-759

Non-operating income includes CHF 0.4 million of gains on disposals of tangible fixed assets (CHF 0.2 million in 2003).

21. TAXES

CHF 1000	2004	2003
Income and capital taxes	4,157	5,834
Change in provision for deferred taxes	-965	1,065
Total tax expenses	3,192	6,899

Tax expenses were reduced considerably compared with the previous year due to the utilization of tax-loss carry-forwards, the implementation of tax optimization measures and lower profits. The tax charge in the year under review amounted to 17.0%.

The tax-loss carry-forwards that have not been utilized on grounds of prudence totaled CHF 4.0 million (CHF 9.2 million in 2003).

22. PLEDGED ASSETS

CHF 1000	2004	2003
Book value of pledged fixed assets	67,245	66,207

The pledges listed serve as security for mortgages, other bank loans and credit lines. Furthermore, it should be noted that demand balances held with banks can be used to cover loans granted at the same time in accordance with the banks' general conditions of business.

23. FIRE INSURANCE VALUES

CHF 1000	2004	2003
Real estate	98,002	92,179
Other tangible fixed assets	265,382	289,364

24. CONTINGENT AND FUTURE LIABILITIES

CHF 1000	2004	2003
Contingent liabilities in favor of third parties	479	7,111
Liabilities arising from leases	3,309	5,033
Liabilities arising from operating leases	139	491

Contingent liabilities in favor of third parties are in the form of bank guarantees for advance payments received and customs invoices. They have been issued for the most part by the Stamping and Forming Division.

Payments deriving from operating leases fall due within one year.

25. GUARANTEES

At the end of 2004 guarantees had been made by Adval Tech Holding Ltd in favor of the company's bankers in the amount of CHF 33.0 million (CHF 38.0 million in 2003). These serve exclusively as security for loans, credit lines and leasing commitments of subsidiaries of Adval Tech Holding Ltd. This guarantee policy is in line with the group financing strategy adopted and the outline agreements concluded with the banks in this context.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange transactions with a contract value of CHF 1.2 million existed for hedging purposes on December 31, 2004. The relevant positive or negative replacement values were immaterial.

27. PENSION LIABILITIES

The pension fund of Adval Tech Holding Ltd is intended to insure the personnel of the Swiss group companies against the financial consequences of old age, death and disability. Employees are insured from 17 years of age.

The pension fund of Adval Tech Holding Ltd is based on a defined contributions plan. The employer's contributions are fixed. The Adval Tech Group has not entered into any obligations to provide benefits in excess of the stipulated contributions.

	2005	2004
Number of personnel insured at January 1	747	745
Number of pension recipients at January 1	163	156
	2004	2003
Expenses arising from pension commitments (CHF 1000)	3,888	3,917
Employer's contribution reserves at December 31 (CHF 1000)	3,978	4,149

The employees of Lanz Industrietechnik AG are intended to be transferred to the pension fund of Adval Tech Holding Ltd in 2005.

Report of the group auditors
to the general meeting of
Adval Tech Holding Ltd
Niederwangen

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes / pages 7 to 25) of Adval Tech Holding Ltd for the year ended December 31, 2004.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Financial Reporting Standards (Swiss GAAP FER) and comply with Swiss law.

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

PricewaterhouseCoopers AG

P. Wittwer M. Köhli

Bern, March 16, 2005

FINANCIAL REPORTS OF ADVAL TECH HOLDING LTD

I. BALANCE SHEET

CHF	2004	2003
Liquid assets	1,291,409	5,373
Receivables		
- from third parties	9,882	6,665
- from group companies	2,094,105	2,023,113
Prepaid expenses and accrued income		
- from third parties	21,359	12,895
- from group companies	0	0
Total current assets	3,416,755	2,048,046
Investments in group companies	24,563,210	22,086,850
Loans to group companies	92,732,376	79,368,342
Intangible assets	639,751	959,607
Total fixed assets	117,935,337	102,414,799
Total assets	121,352,092	104,462,845
Bank debt	750,363	3,884,323
Accounts payable	42,172	10,053
Other liabilities		
- from third parties	0	27,718
- from group companies	86,250	100,208
Accrued expenses	243,239	109,418
<i>Short-term liabilities</i>	<i>1,122,024</i>	<i>4,131,720</i>
Long-term liabilities		
- from third parties	48,500,000	43,175,000
- from group companies	0	0
Provisions	1,539,248	1,689,529
<i>Long-term liabilities</i>	<i>50,039,248</i>	<i>44,864,529</i>
Total liabilities	51,161,272	48,996,249
Share capital	7,300,000	7,000,000
General reserves	9,500,000	1,550,000
Reserve for treasury stock	81,863	170,386
Free reserves	15,013,784	14,925,261
<i>Share capital and reserves</i>	<i>31,895,647</i>	<i>23,645,647</i>
Balance brought forward	26,920,949	22,308,967
Net profit for the year	11,374,224	9,511,982
<i>Retained earnings</i>	<i>38,295,173</i>	<i>31,820,949</i>
Total shareholders' equity	70,190,820	55,466,596
Total liabilities	121,352,092	104,462,845

2. INCOME STATEMENT

CHF	2004	2003
Income from investments in group companies	10,900,000	9,000,000
Other income from third parties	15,000	0
Other income from group companies	431,315	398,370
Interest income from group companies	2,319,265	2,356,134
Interest income from third parties	347,775	244,387
Total operating earnings	14,013,355	11,998,891
Interest expenses from third parties	1,856,150	2,044,233
Interest expenses from group companies	12,000	2,000
Business and administration expenses	305,260	52,966
Operating expenses	2,173,410	2,099,199
Amortization of intangible assets	319,856	355,393
Operating earnings before taxes	11,520,089	9,544,299
Non-operating earnings	0	2,956
Non-operating expenses	0	826
Net profit before taxes	11,520,089	9,546,429
Taxes	145,865	34,447
Net profit after taxes	11,374,224	9,511,982

3. APPENDIX

Accounting principles

The foregoing financial statements of Adval Tech Holding Ltd have been prepared in accordance with the accounting requirements stipulated by Swiss company law.

Treasury stock

In the course of the year under review a total of 325 shares from the 608 shares of treasury stock held on December 31, 2003, were sold on the stock exchange.

Intangible assets

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

Investment holdings

The investment holdings of Adval Tech Holding Ltd are listed on page 14 of this report.

Major shareholders

On December 31, 2004, the following shareholders held more than 5% of the registered share capital recorded in the Commercial Register:

■ Rudolf Styner.....	24.6%
■ Franke Holding AG, Aarburg	20.3%
■ Hansruedi Bienz	18.8%
■ Ordinary Partnership Dreier	8.4%

Guarantees to third parties

As of December 31, 2004, Adval Tech Holding Ltd has issued guarantees to its bankers, to leasing companies and to Franke Schweiz AG in respect of a total of CHF 41,730,000. These serve to secure loans, credit lines and leasing transactions of subsidiaries of Adval Tech Holding Ltd. There is also a contingent liability arising from a future real estate transaction vis-à-vis Franke Schweiz AG.

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

At the disposal of the annual general meeting of shareholders		2004	2003
Balance brought forward	CHF	26,920,949	22,308,967
Net profit	CHF	11,374,224	9,511,982
Retained earnings	CHF	38,295,173	31,820,949
Proposal by the Board of Directors			
Dividend of CHF 14 gross per registered share	CHF	5,110,000	4,900,000
Allocation to the General Reserve	CHF	0	0
Carried forward to new account	CHF	33,185,173	26,920,949
	CHF	38,295,173	31,820,949

Report of the statutory auditors
to the general meeting of
Adval Tech Holding Ltd
Niederwangen

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 27 to 29) of Adval Tech Holding Ltd for the year ended December 31, 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

P. Wittwer M. Köhli

Bern, March 16, 2005

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