

COMPETENCE IN METALS AND PLASTICS

**adval**tech

THE ADVAL TECH GROUP IN THE FIRST HALF OF 2002

HIGHER PROFIT DESPITE THE ADVERSE  
BUSINESS TREND

AWM: PLEASING TREND IN MARGINS

STYNER + BIENZ: MARKET POSITION EXPANDED

# DEAR SHAREHOLDERS

**The good news first: Despite the adverse business trend and the difficult economic environment resulting in correspondingly lower total income, we posted higher profits at the halfway stage compared with the previous year.**

Total income of CHF 84.7 million was some 12% lower than the figure for the *first half of 2001* (CHF 96.8 million). At the same time net profit rose by 6% to CHF 6.0 million and operating earnings (EBIT) also by 6% to CHF 8.2 million. The EBIT margin thus improved from 8.0% to 9.7%. This improvement in results was due on the one hand to systematic cost control and the resulting cost flexibility, and on the other to developments in the market for molds used to manufacture optical discs (ODs) in the Injection Molding Division.

Compared with the *second half of 2001*, when results were affected by the slump in business activity, there was a distinct improvement in the *first six months of 2002*: an increase of CHF 4.2 million (5%) in total income, a surge of CHF 2.1 million (34%) in EBIT and a rise of CHF 1.1 million (22%) in net profit. There is thus some evidence that the downturn has bottomed out.

Following our large-scale investments in recent years we are now – as planned – in a phase of financial consolidation. We have already made some progress in this respect in the first half of the current year: capital expenditure of CHF 8.1 million is virtually 50% of the previous year's figure, and net debt has also declined by 24% from CHF 59.0 million to CHF 44.8 million since the end of 2001.

**Injection molding: pleasing trend in margins despite lower total income**

The Injection Molding Division (AWM) has widened its margins by 2 to 3 percentage points compared with the previous year. Operating earnings (EBIT) rose from CHF 7.2 million to CHF 7.6 million, even though total income of CHF 37.7 million was lower than the previous year's figure of CHF 40.1 million.

AWM reported higher sales of molds for optical discs. There was a backlog of demand in this decidedly volatile market following the slump in the previous year. Successful new developments enabled AWM to maintain its high market share and thus take advantage of the revival in the market. The large numbers of AWM molds already installed means that the service and spare parts business is also becoming a growing source of income. The development of the service companies in Hong Kong and Beverly (USA) is thus encouraging.

Sales of the other product groups in the moldmaking sector were affected by the negative overall economic environment. This was particularly true in the case of screw closure and thin-wall packaging molds. Although the OD market has rebounded strongly, orders for the new generation of molds used to manufacture CD boxes are currently still below expectations. However, heavy development expenditure in these segments, especially in the past year, has resulted in initial successes on the market. This will nevertheless have no impact on earnings until the second half of the current year.

Volume parts manufacturing was hit especially hard by the sluggish business environment. Orders from the electronics, automobile and packaging industries fell sharply. Excess capacity is currently a characteristic feature of the market. The greatest market potential is to be found in multi-component technology. In this segment AWM has succeeded through innovative services in acquiring large contracts that will have an impact on sales next year.

Contract manufacturing of CD boxes, which is also part of volume parts manufacturing operations, is still continuing at a very high level.

With the goal of achieving further growth, AWM will substantially increase its sales and marketing efforts as well as design and engineering activities, and continue systematically to exploit all cost-cutting potential.

**Stamping and forming: market position expanded**

The Stamping and Forming Division (Styner+Bienz) also suffered a significant setback due to the general economic situation. Compared with the *first half of the previous year*, total income declined by CHF 9.9 million (17%) from CHF 57.2 million to CHF 47.3 million, thus approximately equaling the outcome achieved in the *second half of 2001*. However, EBIT of CHF 1.0 million was CHF 0.4 million higher than in the *first six months of the previous year* (CHF 0.6 million). The EBITDA margin of 11% is also considerably higher (6% in the first half of 2001). Higher productivity and the exploitation of cost-cutting potential made a significant contribution to the improvement in results.

Styner+Bienz cushioned the impact of underemployment caused by the decline in order intake in certain operations by systematic time management and cancelling planned adjustments to personnel deployment.

The market situation is especially difficult for CNC subassemblies. This market is currently characterized by excess capacity and transfers of production to low-wage countries.

By contrast, Styner+Bienz succeeded in further expanding its market position in housing covers for ABS systems and shields for mobile phones. However, large new orders in these markets will have no impact on sales until 2003.

The trend in steering systems for the automobile industry was encouraging. Styner+Bienz posted significantly higher sales to existing and new customers. Ideal conditions at the new production location in Uetendorf near Thun and the flexibility of personnel enabled Styner+Bienz to respond very quickly to customers' requirements and make the necessary capacity available.

As a result of the South American crisis, capacity utilization at the Brazilian plant is still far short of original expectations.

In May 2002 adval tech Holding Ltd signed a letter of intent with Franke Holding Ltd regarding closer cooperation in the steering systems segment. The goal is to conclude a cooperation agreement by year-end. If this materializes, the two companies' activities in the field of steering systems for the automobile industry will be merged. The intention is to estab-

lish a joint company on this basis for the development and production of automobile and industrial components by mid-2003. This will include the existing plants of adval tech subsidiaries Styner+Bienz FormTech Ltd in Uetendorf and Styner+Bienz do Brasil Ltda. in Sao José dos Pinhais (Brazil) as well as the plant operated by the Franke subsidiary Lanz Industrietechnik Ltd in Wolfwil.

### Outlook

In spring we assumed that the 2001 results, which were good in light of the prevailing circumstances, could only be bettered if there was a marked economic recovery. However, the surge in economic activity that everyone was hoping for has not materialized. The outlook remains uncertain, the investment climate subdued and our capacity utilization correspondingly short-term.

We expect the following developments in the *second half of 2002*:

- **Injection Molding Division:** The market for optical disc molds will remain at much the same level as in the first half. There will be signs of revival here and there in the other mold-making product groups. However, the volume parts manufacturing business will persist at the level of the *first six months*.
- **Stamping and Forming Division:** There will be no significant changes in the volume parts manufacturing sector, but we are expecting an improvement in performance. However, toolmaking will decline in the second half, since the successes achieved on the market to date will have no impact on total income until 2003.

On this basis we foresee total income in the range of CHF 170 to 180 million and net profit of CHF 10 to 12.5 million in 2002. Taking into account the release of a CHF 1.8 million tax provision to income in 2001, this corresponds to a substantial profit increase. Looking forward to the expected recovery in economic activity in 2003, we take confidence from the progress achieved this year.

Niederwangen, August 2002

**Herbert Thönen**  
Chairman  
of the Board

**Jean-Claude Philipona**  
Chief Executive Officer

# 2002 SEMI-ANNUAL REPORT

## INCOME STATEMENT

CHF 1000	1st half '02	1st half ' 01	Change	1st half ' 00
Total income	84 689	96 751	-12%	99 730
Net turnover	89 964	84 238	7%	85 774
Cost of materials and services	22 317	35 154	-37%	31 496
Personnel expenses	34 829	35 343	-1%	32 915
Other operating expenses	11 369	12 175	-7%	12 241
Depreciation	7 984	6 341	26%	7 112
<b>Operating earnings (EBIT)</b>	<b>8 190</b>	<b>7 738</b>	<b>6%</b>	<b>15 966</b>
<b>Net profit after taxes</b>	<b>6 011</b>	<b>5 672</b>	<b>6%</b>	<b>10 942</b>
<b>Capital expenditure</b>				
Capital expenditure	8 074	15 917	-49%	15 619

## BALANCE SHEET

CHF 1000	6/30/02	12/31/01	Change	12/31/00
Current assets	99 770	98 224	2%	107 998
Fixed assets	126 303	130 351	-3%	114 043
Liabilities	113 283	113 002	0%	112 100
- of which short-term	44 412	43 027	3%	52 857
- of which long-term	68 871	69 975	-2%	59 243
Shareholders' equity	112 790	115 573	-2%	109 941
in % of total assets	49.9%	50.6%		49.5%
<b>Total assets</b>	<b>226 073</b>	<b>228 575</b>		<b>222 041</b>
<b>Employees</b>	<b>6/30/02</b>	<b>6/30/01</b>	<b>Change</b>	<b>6/30/00</b>
<b>Group</b>	<b>814</b>	<b>828</b>	<b>-14</b>	<b>784</b>
Stamping and Forming Division	507	535	-28	518
Injection Molding Division	300	287	13	259

# THE ADVAL TECH GROUP

**Adding value for customers in technically challenging fields of activity: that's what adval tech stands for.**

The adval tech Group is a leading supplier of tools, molds, subassemblies, systems and volume components in the technology sectors of stamping and forming (metals) and injection molding (plastics). It is a supplier and value-adding partner for companies in all industries where metal or plastics components are manufactured or used. With innovative and technically sophisticated approaches the adval tech Group enables its customers to make continuous improvements to their products and processes. The Stamping and Forming and Injection Molding divisions trade on the market under the names of Styner+Bienz and AWM, respectively. Their largest customers are in the automotive, communications technology, packaging and electronics industries. adval tech is continually setting new technological standards in these sectors.

**THE NEXT ORDINARY  
SHAREHOLDERS' MEETING WILL BE  
HELD ON 12 JUNE 2003 IN BERNE.**

**adval tech Holding Ltd**

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