adval tech

THE ADVAL TECH GROUP IN THE FIRST HALF OF 2004

COMPETENCE IN METALS AND PLASTICS

PREVIOUS YEAR'S EXCELLENT RESULTS NOT EQUALED

INJECTION MOLDING DIVISION: NUMEROUS NEW DEVELOPMENTS

STAMPING AND FORMING DIVISION: REINFORCEMENT IN THE AUTOMOTIVE COMPONENTS SUPPLY MARKET

DEAR SHAREHOLDERS,

In the first half of 2004 the Adval Tech Group reported a slight increase in total income compared with the previous year, but did not match the above-average results achieved in the first half of 2003. The substantial reduction in margins was due to lower prices in certain markets and to higher costs. Both divisions commenced manufacture of many new products as well as pursuing further developments to existing products and production equipment. This generated higher costs. In addition, ongoing increases in raw material costs could not be passed on to customers in full.

Total income of CHF 123.5 million was 1.7% higher than the comparable figure for the first half of 2003 (CHF 121.4 million) and an increase of 3.3% compared with the second half of 2003. Group net profit of CHF 6.3 million was 33.8% lower than the previous year's excellent outcome. However, the shortfall compared with net profit in the second half of 2003 (CHF 7.7 million) was much smaller. The EBIT margin of 8.2% was also lower than the corresponding half-year figures for 2003 (11.1% and 10.2%, respectively).

The Adval Tech Group has substantially reinforced its position in the automotive components supply business with the acquisition of Lanz Industrietechnik AG. This transaction was financed with virtually no impact on liquidity via a CHF 0.3 million increase in the share capital of Adval Tech Holding Ltd to CHF 7.3 million. This was completed end of June, 2004, and therefore had no impact on the income statement for the first half of 2004. In the semi-annual balance sheet the consolidation of Lanz resulted in a CHF 9.1 million increase in current assets. Tangible fixed assets increased by CHF 11.6 million. The associated goodwill was posted directly to shareholders' equity.

Concurrently with the increase in share capital, the annual general meeting held on June 17, 2004, created a single category of shares, thus enabling all shares in issue to be listed. The Adval Tech Group now has a modern capital structure and is better placed to increase the free float, i.e. diversify holdings of its shares more widely.

Injection Molding Division

The results reported by the Injection Molding Division were somewhat below expectations, but the division completed various promising developments in the first half of 2004 and further optimized its organizational structure. Total income of CHF 73.4 million in the first six months was slightly higher than the comparable figure of CHF 72.2 million in the previous year. The division's operating earnings (EBIT) of CHF 9.6 million were well below the previous year's excellent outcome of CHF 13.0 million, but were still in the region of the figure reported for the second half of 2003 (CHF 9.9 million). The EBIT margin is now 13.0%.

The molds sector held its own well. Encouragingly, sales of AWM molds used for manufacturing optical data media were maintained at the previous year's very healthy level. However, lower prices and higher demands in respect of quality and service had a more severe impact on margins than expected. AWM also invested substantial resources in development activities in order to consolidate its leadership in the market for optical discs.

Sales of other AWM product groups were below expectations. Exceptions to this were molds for food packaging and for the automotive industry. In these two segments the division not only increased turnover, but also invested substantial amounts in the development of new molds, thus creating the basis for improved capacity utilization in the volume parts business.

Foboha exceeded expectations again in the first half of 2004. Order intake developed positively, especially in the second quarter of this year. The market trend is encouraging in the consumer goods, pharmaceutical and medical technology sectors, while price pressure remains severe in industrial applications. Orders for production equipment and components are increasingly being placed in low-wage countries such as China, Korea or Brazil. Innovation, productivity improvements and high cost efficiency are essential in this competitive environment.

Due not least to vigorous efforts in moldmaking operations, there was a substantial improvement in the volume parts sector compared with the previous year. Large-volume orders from the automotive industry boosted sales of injection molded components by more than 50%. Nevertheless, capacity utilization at the Merenschwand production plant was unsatisfactory. Demand in all target markets is very short-term – and there are still no signs of a reversal in this trend. Price rises for raw materials, which in many cases could not be passed on to customers, also had a negative impact on earnings. The situation will improve progressively with the new orders received from the automotive industry. Contract manufacture of CD and DVD boxes, which is also part of the volume parts manufacturing business, remains at a high level.

Stamping and Forming Division

Orders received by the Stamping and Forming Division for volume parts were slightly higher. However, the first six months were characterized by the commissioning of numerous molds for new products, substantial rises in raw material costs and continuing pressure on prices and delivery dates. Total income of CHF 50.9 million in the first half of 2004 was some 3% higher than the previous year's figure (CHF 49.5 million) and virtually the same as in the second half of 2003. The division's operating earnings (EBIT) of CHF 0.4 million failed to match the previous year's modest outcome of CHF 0.7 million. The division's EBIT margin of 0.8% (1.5% in 2003) was below expectations.

With its innovative solutions Styner+Bienz has established a very high reputation in the field of automotive steering systems over a period of years, but had not yet attained critical mass in this capital-intensive market segment. This has now changed with the integration of Lanz Industrietechnik. Lanz contributes new applications in the steering column sector which ideally complement the Styner+Bienz offering. The product range is also expanded by the addition of seat adjustment mechanisms. This merger also offers advantages as regards infrastructure, available machinery and the customer portfolio.

Excluding Lanz, Styner+Bienz reported a 15% increase in sales of steering system components compared with the previous year. This encouraging trend was offset by especially heavy expenditure on new projects and commissioning. Overall sales of other products were below expectations in the first six months. ABS components and automobile lamp components developed positively, while shields for cellphones were below average. We expect the demand for shields to increase in the second half of the year. CNC subassemblies recorded an increase compared with the previous year – especially in applications for professional coffee machines.

The Brazilian economy is continuing to benefit from export activity, while the upswing within the country itself is limited. Styner+Bienz do Brasil Ltda. continues to develop positively in this environment, reporting an increase in turnover of more than 20% compared with the previous year.

The Technology Center is a key element in the improvement of results at the Stamping and Forming Division. The more accurately risks are assessed at the start of a project and the more productively development and design functions operate, the more efficiently commissioning can be performed and the shorter project lead times therefore become. Work is proceeding at high pressure on a series of measures to improve the current situation. Progress is apparent, but the division is still at the beginning of the road to achieve its declared goals. More price rises for raw materials are another challenge to be faced in the second half of the year. Further price rises must no longer be at the expense of margins. The integration of Lanz Industrietechnik AG is also a major project for the division.

Outlook

The immediate future is still difficult to assess. We foresee the following developments in the second half of 2004:

- **Injection Molding Division:** Sales of optical disc molds are unlikely to remain at the same level as in the first half. In light of the healthy order situation we expect increased turnover in other molds. The completion of major developments should reduce cost pressures in the second half. This will boost value added in-house. Turnover in the volume parts business will also be higher than in the first six months. Pressure on prices and margins will persist, due not least to exchange rate trends.

- **Stamping and Forming Division:** We foresee improvements in performance and results in the volume parts manufacturing sector. Production conditions should improve due to seasonal effects (cellphone shields) and because numerous new products are commencing volume production following commissioning, which will also result in lower costs. Pressure on prices and margins remains severe.

On this basis we foresee total income in the range of CHF 250 to 265 million and net profit of CHF 14 to 16 million in 2004.

Drawn up in compliance with
SWISS GAAP FER 12,
Niederwangen, end of August 2004

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

2004 SEMI-ANNUAL REPORT

INCOME STATEMENT

CHF 1000	1st half of 2004	1st half of 2003	Change	1st half of 2002
Total income	123 505	121 415	2%	84 689
Net turnover	112 415	108 004	4%	89 964
Cost of materials and services	40 944	38 541	6%	22 317
Personnel expenses	46 320	43 701	6%	34 829
Other operating expenses	16 929	16 443	3%	11 369
Depreciation	9 223	9 250	0%	7 984
EBIT	**10 089**	**13 480**	**–25%**	**8 190**
Net profit after taxes	**6 272**	**9 475**	**–34%**	**6 011**
Capital expenditure				
Investments in tangible fixed assets	6 243	10 093	–38%	8 074

BALANCE SHEET

CHF 1000	6/30/2004	12/31/2003	Change	12/31/2002
Current assets	134 605	109 333	23%	95 630
Fixed assets	152 973	145 429	5%	121 139
Liabilities	169 913	145 515	17%	101 343
– of which short-term	65 705	47 695	38%	34 147
– of which long-term	104 208	97 820	7%	67 196
Shareholders' equity	117 665	109 247	8%	115 426
in % of total assets	40.9%	42.9%		53.2%
Total assets	**287 578**	**254 762**	**13%**	**216 769**

Number of employees, incl. trainees	**6/30/2004**	**6/30/2003**	**Change**	**6/30/2002**
Group	**1011**	**988**	**23**	**814**
Stamping and Forming Division	477	494	–17	507
Injection Molding Division	526	486	40	300

THE ADVAL TECH GROUP

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

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

THE NEXT ANNUAL GENERAL MEETING WILL BE HELD IN BERN ON JUNE 16, 2005.

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