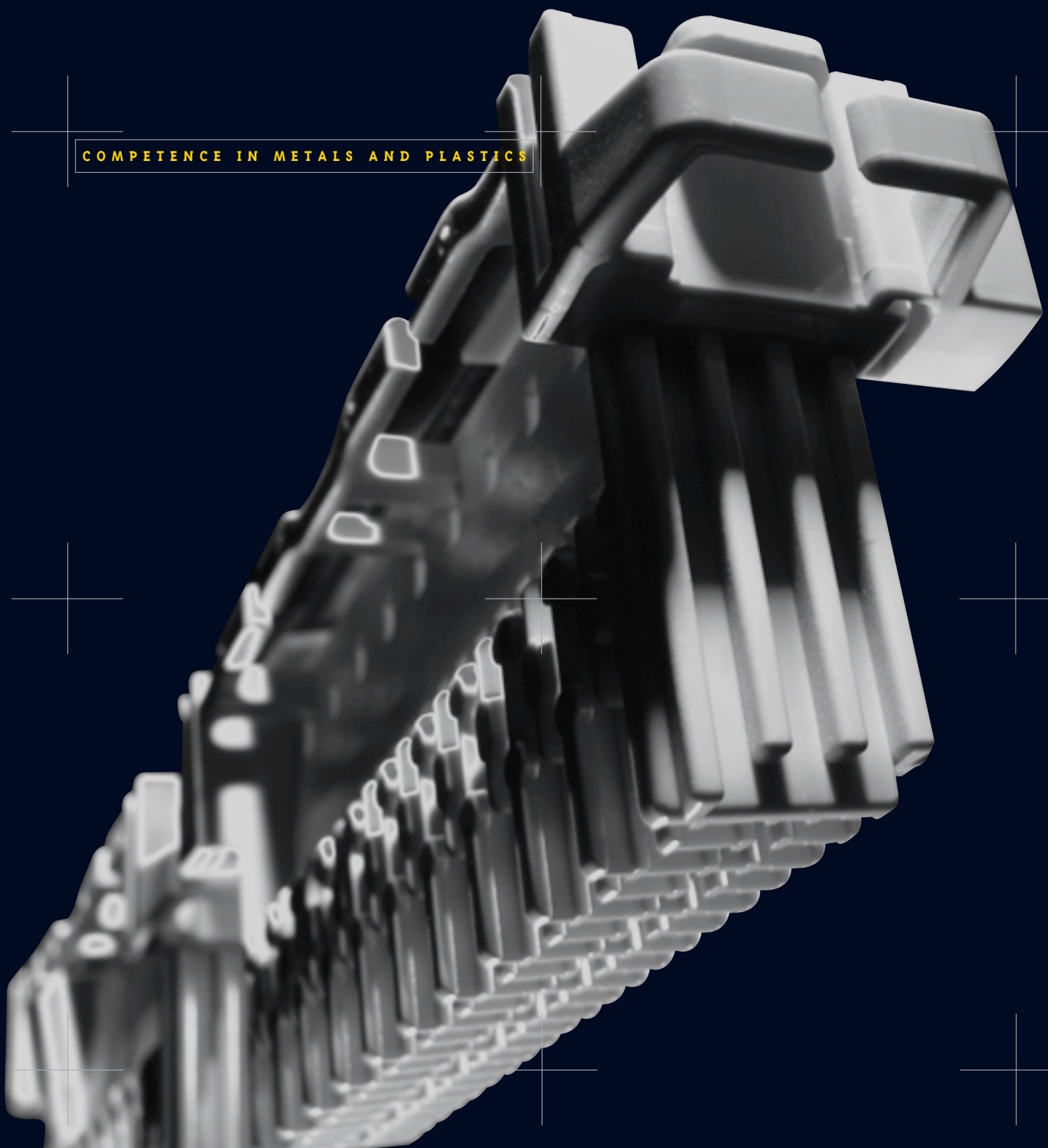
adval tech

ANNUAL REPORT 2002

COMPETENCE IN METALS AND PLASTICS



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KEY FIGURES OF THE ADVAL TECH GROUP

	2002	2001	2000	1999	1998
Total income (CHF millions)					
Group	172.973	177.283	209.573	165.460	167.724
change in %	–2.4	–15.4	+26.7	–1.3	+19.6
per employee (CHF thousands)	213.021	222.857	266.802	212.947	229.131
Stamping and Forming Division	97.290	104.183	98.416	95.466	103.549
Injection Molding Division	76.138	73.878	112.488	70.384	65.135
EBITDA (CHF millions)					
Operating earnings before depreciation	31.5	28.1	41.9	22.7	25.3
in % of total income	18.2	15.9	20.0	13.7	15.1
Stamping and Forming Division	10.1	8.1	6.4	1.9	5.5
Injection Molding Division	20.6	19.5	34.8	20.4	18.2
EBIT (CHF millions)					
Operating earnings	15.9	13.8	27.2	11.4	17.4
in % of total income	9.2	7.8	13.0	6.9	10.4
Stamping and Forming Division	2.0	0.9	0.6	–2.9	2.1
Injection Molding Division	13.4	12.5	26.0	13.9	13.8
Net profit (CHF millions)					
Net profit for the year	10.8	10.6	19.0	8.4	12.1
in % of total income	6.2	6.0	9.1	5.1	7.2
Cash flow and capital expenditure (CHF millions)					
Cash flow from operations	35.4	29.8	21.7	10.1	7.3
Free cash flow	23.8	–1.1	–14.1	–10.5	–13.4
Capital expenditure	15.5	32.2	32.0	21.3	23.4
Balance sheet figures (CHF millions)					
Total assets	216.8	228.6	222.0	186.9	164.8
Shareholders' equity	115.4	115.6	109.9	94.3	89.9
in % of total assets	53.2	50.6	49.5	50.5	54.6
Employees					
on December 31	828	796	795	776	778
Market capitalization (CHF millions)					
on December 31	106.8	119.0	202.7	140.4	99.4
Selected key figures per share					
Earnings (CHF)	30.75	30.22	54.36	23.90	34.70
Dividend (CHF)	12.00[1)]	12.00	12.00	10.00	10.00
Payout ratio in %	39.0	39.7	22.1	41.8	28.8
P/E ratio in % on December 31	9.9	11.3	10.7	16.8	8.2

1) Proposed by the Board of Directors

This mounting for holding the batteries of insulin pumps is manufactured in series using Styner+Bienz tools at the Niederwangen plant.

DEAR SHAREHOLDERS,

In a very difficult economic environment the Adval Tech Group posted a small decline in total income of 2.4% to CHF 173 million in the year under review. However, operating earnings (EBIT) increased sharply to CHF 15.9 million (+15.2%), and net profit was slightly higher than the previous year's figure. With free cash flow of CHF 23.8 million, Adval Tech was able to reduce net debt by about one-third to CHF 39.5 million. These results were in line with the forecasts we made in our semi-annual report at the end of August.

The economic forecasters' expectations for 2002 all proved to be over-optimistic. Most of the markets served by our two divisions also reflected the disappointing trend in economic activity. Due to the general mood of economic uncertainty, many companies postponed purchases of costly capital goods. Pressure on prices also continued to increase. Nevertheless, the Injection Molding Division achieved significantly higher turnover in molds for optical discs (OD), and the Stamping and Forming Division in components and systems for the automotive and telecommunications industries.

The results reported by the Injection Molding Division were characterized by two contrary trends. In the extremely volatile market for OD molds, a backlog of demand developed following the slump in the previous year, whereas the other moldmaking product groups, and especially volume parts manufacturing, suffered from the weak level of economic activity. Total income at the division increased by 3.1% to CHF 76.1 million, EBITDA by 5.6% at slightly higher margins and EBIT by 7.4%. These are very good results relative to the performance of the industry as a whole.

Successful new developments enabled AWM to boost its high market share in OD molds even further. At the end of 2002 more than 3000 OD molds from AWM were in use worldwide. The development of the service companies in Hong Kong and the US was correspondingly positive. New developments in other moldmaking sectors resulted in a number of new orders toward the end of 2002, with correspondingly encouraging prospects for 2003.

In volume parts manufacturing, the market contracted by almost half in some major sectors. The decline in turnover at AWM in this segment was correspondingly steep, while market share was maintained. Intensified marketing efforts had initial successes in the promising sector of multi-component technology. Innovative solutions enabled AWM to secure a number of interesting orders, and these will have an impact on turnover as of mid-2003. AWM responded to inadequate levels of capacity utilization in some segments with systematic personnel and time management. A number of employees from other sectors were employed in contract manufacturing of CD and DVD boxes, which remained at a very high level in 2002.

The Injection Molding Division took a very significant strategic step at the end of the year. Its acquisition of the German moldmaking firm Foboha GmbH with effect from January 1, 2003, significantly reinforces its market position in the injection molding sector. Foboha, which is based in Baden-Württemberg, is a world leader in the development, design and manufacture of injection molds for a wide range of applications in the plastics industry. The company holds an especially strong position in two-component and multi-component

Operating earnings of the Adval Tech Group increased sharply.

technology. This is where different plastics with differing properties are combined with each other. Consumer goods packaging, medical technology, the telecommunications industry and electronic devices are Foboha's main markets. The division will thus become much less dependent on the volatile markets for ODs and OD packaging.

The Stamping and Forming Division is systematically implementing its strategic reorientation by concentrating on the core activity of volume parts manufacturing. In the year under review it further reinforced its position in key markets. The focal points of its activities also included preparatory work for boosting the efficiency of IT operations in the commercial and technical fields.

The development of the steering system business was especially encouraging. The automobile manufacturers' vigorous introduction of new models resulted in an unexpectedly high level of demand. Turnover increased by 60% compared with the previous year. The ideal production conditions at our new facility in Uetendorf and the high degree of flexibility displayed by personnel enabled Styner+Bienz to cope with the increased demand. For a period of four months this sector of Styner+Bienz's operations maintained four-shift working – i.e. round the clock, seven days a week. At the same time Styner+Bienz gained new customers by developing innovative solutions. For example, an initial series of orders for DaimlerChrysler will commence at the end of 2003. The Stamping and Forming Division made a strategically significant move by signing a letter of intent to cooperate more closely with Lanz Industrietechnik AG, a subsidiary of the Franke Group, in the steering systems segment. The growth in turnover and market share in housing covers for ABS systems and shields for mobile telephones is also encouraging. Styner+Bienz has gained new customers in these key markets. The strategic reorientation is thus already paying off.

The remaining markets served by volume parts manufacturing activities had to cope with lower turnover as a result of the general level of economic activity. The market situation in CNC subassemblies was especially difficult. A number of contracts already in the planning phase were suspended by customers, and some customers even discontinued business altogether.

The poor investment climate and the resulting postponements of projects had an adverse impact on the complementary sector of production systems. Styner+Bienz posted a slight increase in turnover in this sector, but total income was sharply lower due to the reduction of large inventories of work in progress, and the lack of in-house services performed for the division. The division posted total income (CHF 97.3 million) 6.6% lower than in the previous year. However, EBITDA and EBIT showed considerable improvement compared with 2001. The EBITDA margin of 10.4% is on target.

Adval Tech share price performance was disappointing in 2002, even though the decline of 10% was much less pronounced than that of the Swiss Performance Index (–26%) and the share index of the Swiss engineering industry (–23%). The share price at year-end was CHF 305, the high point for the year (recorded in January) CHF 340. The low point of CHF 245 was recorded in October. Adval Tech is committed to excellent corporate governance. The public debate on the theme of good corporate governance resulted in the issue of appropriate guidelines by the Swiss Exchange (SWX). We have already communicated most elements of these guidelines in earlier annual reports. As required, we have for the first time devoted a section of this annual report specifically to this theme.

The respectable annual results achieved in light of the economic environment bear witness to our group's adaptability. We have largely achieved three major strategic goals: financial consolidation, with a one-third reduction in net debt (–CHF 19.5 million), and a significant improvement in our market position in two key markets – by plans for cooperation in the steering systems business and by acquisition in multi-component injection molding technology.

In 2003 the emphasis will be on consolidation and implementing the strategic objectives. These involve successfully integrating the acquisition and intensifying marketing efforts so that existing capacity is more effectively utilized. We will continue to pursue strict financial and cost management. Following the extensive investments in recent years we are more likely to exercise caution in this respect in the short to medium term. With the free cash flow we expect to generate from operations we will very soon reduce the increase in net debt resulting from the acquisition made at the beginning of 2003.

With a view to timely settlement of the succession issue, Fritz Gaukel handed over operational management of the Stamping and Forming Division to Joachim Kaufmann, previously head of volume components manufacturing, as of January 1, 2003. Joachim Kaufmann will also join the group management team by virtue of his new position. Fritz Gaukel has been with Styner+Bienz for 30 years, and has headed the division's operations for the past 14 years. During this time he has had a decisive impact on the development of the division into a leading supplier in the field of stamping and forming technology. With the initial steps taken to implement the division's strategic reorientation, Fritz Gaukel has also contributed significantly to the ongoing improvement in operating earnings. We want to express our sincere thanks to him for all his untiring efforts. We are pleased that Fritz Gaukel will continue to place his know-how and his great experience at the disposal of the group as Head of Strategic Projects until his retirement in 2004.

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 2003

HERBERT THÖNEN
CHAIRMAN OF THE BOARD

JEAN-CLAUDE PHILIPONA
CHIEF EXECUTIVE OFFICER

This spray can top is manufactured using the two-component process. An inconspicuous product that imposes very high demands on injection molding technology.

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's strengths include the ability not only to identify and analyze stamping and forming problems, but also to develop comprehensive, integrated solutions to them. Styner+Bienz develops intelligent systems and subassemblies together with its customers. It provides its customers with support in the fields of component design, forming technology, the development of production equipment as well as high-precision, cost-effective manufacturing of volume components. For example, one in three new automobiles worldwide is equipped with ABS housing covers from Styner+Bienz. Tools and special machinery for producing volume components are developed and built in the company's own Technology Center. Styner+Bienz also covers the entire logistics chain in CNC technology for smaller production volumes, from the development stage through to just-in-time delivery.

Plastic injection molding technology

The Injection Molding Division includes the AWM companies and – since January 2003 – Foboha GmbH. AWM and Foboha focus on superlative quality as well as the interchangeability and rapid availability of their products. In principle, they both 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 bottle closures, coil shells, spray can tops, multipoint connectors, food packaging and two-component parts for the automotive industry. 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

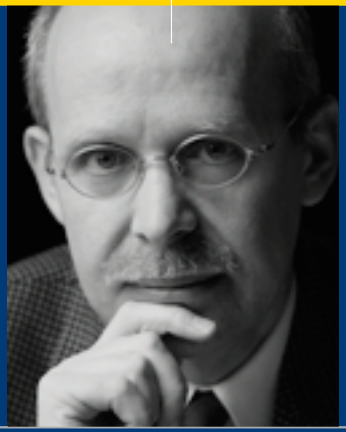
Adval Tech Management Ltd

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

As of 2003

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 2002 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 Training Center
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, Production Manager, 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

These sheet metal components for a laboratory instrument used in DNA analysis are manufactured in the Bodenweid plant.

MARKET POSITION STRENGTHENED

The Stamping and Forming Division succeeded in holding its own in a difficult business environment. Despite a sharp fall in total income, EBIT was substantially higher. In the context of its strategic reorientation the division continued to concentrate on volume parts manufacturing in the year under review, thus considerably strengthening its market position.

Sluggish economic activity had a very negative impact on most markets served by the division. Overall order volume was considerably below budget targets. The sharp rise in turnover in components for the automotive industry prevented an even more severe setback. The marked recovery in the mobile telephone market in the second half of the year also had a positive influence.

Further reinforcement of volume parts manufacturing operations

In the year under review the division continued its consistent pursuit of the new strategy launched in 2001. The focus here was on expanding volume parts manufacturing and reducing risks in the tools and special machinery manufacturing sector. Styner+Bienz sought to boost the volume parts manufacturing business, for example, through intensified order acquisition, and increasingly placed the tools and special machinery manufacturing operations at the service of in-house volume manufacturing. Nevertheless, the division recorded sharply higher order intake for special machinery compared with the previous year.

The automobile manufacturers' vigorous introduction of new models resulted in heavy demand for new sheet metal subassemblies and components. Pricing pressure and competition have become more severe, but the division succeeded in expanding its market position with innovative solutions. Developments in the steering system business were also very encouraging – with existing and new customers. Compared with the previous year, Styner+Bienz recorded an increase in turnover of more than 60%. Up-front investments made in the past

THREE QUESTIONS ADDRESSED TO JOACHIM KAUFMANN

HEAD OF THE STAMPING AND FORMING DIVISION

You have been head of the Stamping and Forming Division since the beginning of 2003. What are your main objectives in the years to come? We aim to continue the expansion of our market position, with a view to utilizing our very good infrastructure as fully as possible. This calls for a consistent focus on customers' requirements. We aim to satisfy our customers completely at all times and offer them the greatest possible benefits. We will continuously expand our know-how, our range of products and services and our innovative performance with this in mind. And we are also setting ourselves ambitious productivity targets.

What are these productivity targets in detail? To give one example: we aim to reduce the average lead time for a transfer tool (from development to commissioning) by a full 50% in the medium term! This can only be achieved through reliable design of the tools in the development and design phase, thus eliminating the need for redevelopment work during commissioning. We will also continue to improve the efficiency of design operations (CAD). We are engaged in a relevant project together with the Institute of Virtual Manufacturing at the Swiss Federal Institute of Technology (ETH) in Zurich.

What is the significance of the political changes in Brazil for Styner+Bienz do Brasil? President Lula da Silva's new government has made a very good start in Brazil. There is currently a widespread sense of confidence in the future, and this should, of course, also have a positive impact on our business in Brazil. The steep devaluation of the Brazilian currency last year improved export opportunities but at the same time brought a massive increase in pressure to replace imports by domestic products. This opens up new opportunities for our plant in Curitiba. The contacts established with potential customers in recent months make me very confident that we can secure new orders.

This combustion chamber screen manufactured by Styner+ Bienz ensures that in an emergency the inflating gas is distributed uniformly in the airbag.

are starting to pay off. The division has made further developments in one of Styner+Bienz's most successful products – the multi-plate assembly for infinite steering wheel adjustment – by using welding technology. The necessary investment in tools will therefore be much lower in future for our customers. The subassemblies can thus be produced more economically, and these solutions are also attractive for smaller production runs. This opens up new perspectives. Styner+Bienz achieved initial successes on the market in this context in the year under review. For example, new volume components will be manufactured for Daimler-Chrysler as of the end of 2003.

Extension of market position

Styner+Bienz aims to expand its market position further in the steering systems business and has therefore signed a letter of intent regarding close cooperation with Lanz Industrietechnik, a subsidiary of the Franke Group. Styner+Bienz is a world leader in the production of ABS housing covers; it further expanded its strong market position in this sector in the year under review.

Higher sales of cellphone shields

Mobile telephones are another key market for the division. Thanks to a remarkable innovation, Styner+Bienz also achieved higher turnover and market share in cellphone shields. Previously, two parts from different tools were assembled into a shield subassembly in a supplementary operation on a separate machine by the customer. Styner+Bienz now produces the same subassembly in a single operation. The material is fed to the same tool from two sides for this purpose. The two individual parts thus produced are assembled directly in the tool at the end of the process. This reduces process costs and makes Styner+Bienz especially attractive for its customers. A number of new orders acquired by Styner+Bienz in the year under review will only start to have an impact on turnover in the 2003 fiscal year.

The CNC subassemblies sector was hit especially hard by the economic slowdown. A number of important customers were struggling for survival and several promising projects had to be suspended. Turnover in this sector in the year under review was almost one-third below original expectations, despite the fact that Styner+Bienz also achieved a slight improvement in its market position. Intensified sales efforts enabled the division to record some remarkable successes in acquiring new orders: for example, in the years to come Styner+Bienz will manufacture new subassemblies for coffee machines, medical analysis equipment, simulator harnesses for vehicles, and subassemblies for cash handling systems.

New opportunities for Styner+Bienz do Brasil

Due to the South American crisis, capacity utilization at the plant in Brazil was still far below expectations. However, the Brazilian economy's declared strategy of substituting domestic products for imported industrial goods as far as possible opens up new opportunities for Styner+Bienz do Brasil Ltda. in the medium term – especially in very challenging projects.

Enterprise Resource Planning (ERP) and CAM

The division has introduced ERP software (proAlpha) and a new 3D-CAD system (Unigraphics Solutions) in support of its strategic reorientation. Both projects are imposing a heavy burden on everyday activities in the implementation phase, but they represent a major investment in the future. Divisional management expects these projects to be completed by mid-2003. In its production operations Styner+Bienz has conducted a variety of fundamental preparatory work in connection with the introduction of a CAM (Computer Aided Machining) system.

Developments in the steering system business were very encouraging – with existing and new customers.

New management systems

The quality and safety management systems were totally revised and an environmental management system was also established. Styner+Bienz FormTech now has an integrated, process-oriented management system covering all three areas. The division thus complies with the latest standard requirements – including those for the automotive industry (ISO 9001:2000, ISO/TS 16949:1999 and ISO 14001). This is not only a prerequisite for positioning itself successfully in the supply chain, it is also an important tool for assuring quality and thus reducing process and defect costs.

Capital spending

In the year under review the division invested a total CHF 6.1 million. The emphasis was on improved layouts and material flows for component manufacturing at the Niederwangen plant, and software for ERP and 3D-CAD/CAM.

Reconstitution of divisional management

Fritz Gaukel handed over operational management of the Stamping and Forming Division to Joachim Kaufmann, previously head of volume parts manufacturing, with effect from January 2003. Until his retirement in 2004, Fritz Gaukel will continue to serve the Adval Tech Group as Head of Strategic Projects. Fritz Gaukel has been with Styner+Bienz for 30 years, heading operations for the past 14 years. In addition to its existing members, Joachim Kaufmann and Lorenz Jaggi, the divisional management team will be joined by Ralf Osterheider and Alfred Raggenbass as of January 2003.

Outlook

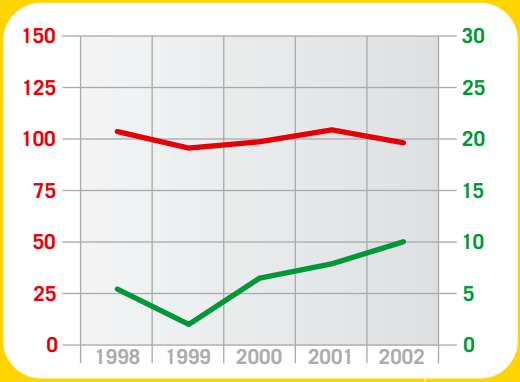
There are good prospects that the Stamping and Forming Division will achieve further substantial improvements in its EBIT margin. There are three reasons for this: first, the largely completed introduction of ERP and CAD/CAM will enable further improvements to be made in efficiency; second, capacity utilization and work in hand were much higher at the end of 2002 than a year earlier; and third, the division is very well positioned in terms of infrastructure and organization to benefit from any economic recovery. The management of the Stamping and Forming Division is therefore confident that the improvement in competitiveness and profitability can be continued in the years to come, despite the uncertain economic situation.

THE AEROSOL 2-OUT PRODUCTION LINE – AN EXAMPLE OF HOW STYNER+BIENZ C

The newly developed Aerosol 2-out machine enables a quantum leap to be achieved in the manufacture of aerosol can tops. The manufacturing process occurs in two parallel lines. Each of these is equipped with eight tool modules and integrated in a press operating at up to 250 strokes per minute, thus enabling 500 parts to be produced per minute. With a tested efficiency of 95% this amounts to more than 170 million parts per year in three-shift operations. When hard sheet metal (T5

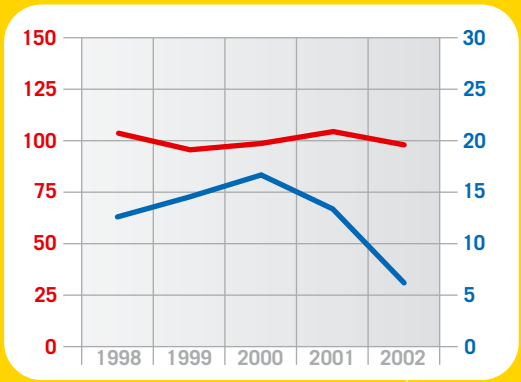
styner bienz

TOTAL INCOME AND EBITDA



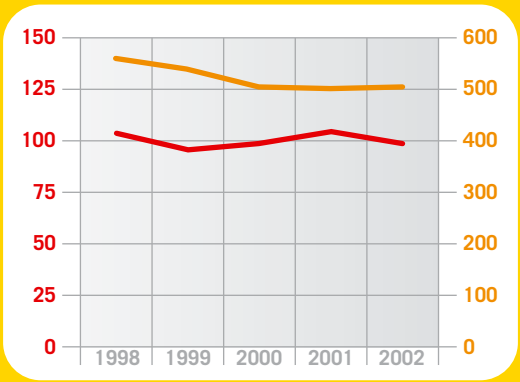
Total income in CHF millions
EBITDA in % of total income

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

	1998	1999	2000	2001	2002
Total income	103.5	95.5	98.4	104.2	97.3
EBITDA	5.5	1.9	6.4	8.1	10.1
EBIT	2.1	–2.9	0.6	0.9	2.0
Capital expenditure	13.0	13.9	16.4	13.9	6.1
Employees	560	538	503	501	506

REATES ADDED VALUE FOR CUSTOMERS

or T6) is used, the Aerosol 2-out also enables material savings of up to 15% to be achieved. The Aerosol 2-out is another example of Styner+Bienz's leadership in tool and special machinery manufacturing – which in turn provides the basis for a successful volume parts manufacturing business.

This two-component part for the automobile industry is manufactured together with the fastening element in a single injection molding process.

STRATEGIC MILESTONE

The pleasing annual results posted by the Injection Molding Division were characterized by two totally different trends: substantially higher turnover in molds for optical discs (ODs) contrasted with steep declines in turnover due to the general level of economic activity in other product groups, especially volume components. With its acquisition of German moldmaker Foboha GmbH as of January 1, 2003, the division is now also one of the world's leading moldmakers in the trend-setting and strategically significant field of multi-component technology.

The surge in sales of molds for optical discs was due partly to the backlog of demand that had been expected following the previous year's slump, and AWM was also able to achieve a slight increase in its high market share due to successful launches of new developments. AWM molds are now also used on E-Mold machines from Singulus, the global market leader in automated production lines for optical data media.

Turnover in the other product groups in the mold sector reflected the negative overall economic environment. However, the large number of new mold developments in various fields of application (spray can components, food packaging, screw closures and CD boxes) resulted in healthy levels of capacity utilization towards year-end, with correspondingly encouraging prospects for 2003. By intensifying efforts to sell complete production systems, AWM aims to satisfy the trend in demand for complete turnkey installations. This opens up excellent opportunities for AWM as a developer and manufacturer of molds – the core elements of production lines – in this segment.

THREE QUESTIONS ADDRESSED TO JOSEF KRUMMENACHER

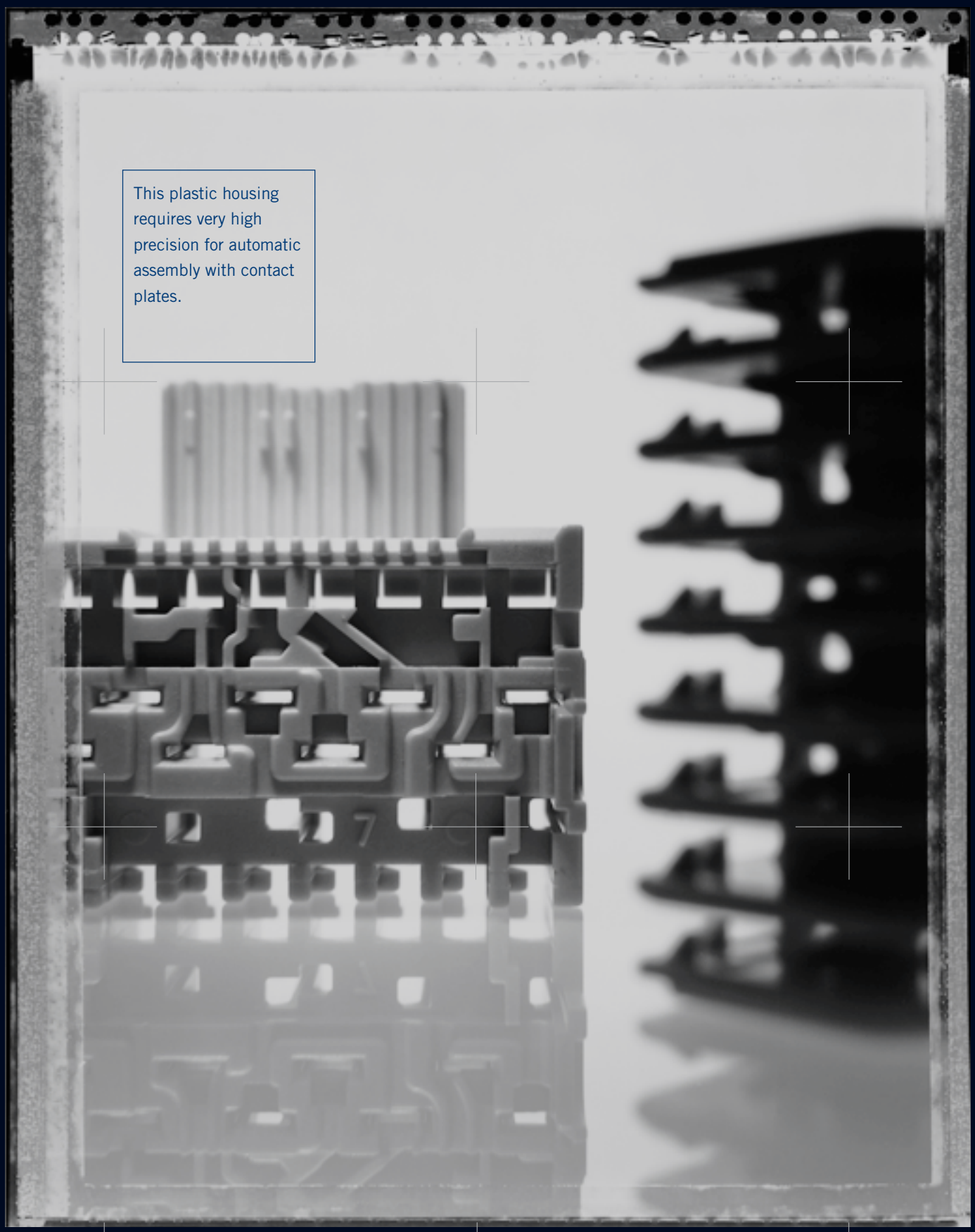
HEAD OF THE INJECTION MOLDING DIVISION

What synergies will be generated for the division by the acquisition of Foboha? The most important is undoubtedly the reinforcement of our position on the market, especially in multi-component technology. Synergies will arise, for example, from the ability to offset available capacity in the case of very large projects, in manufacturing mold assemblies, as well as in purchasing, sales and service operations. It is very important for us that Foboha continues to operate as an independent company. AWM and Foboha complement each other ideally, and both have an excellent reputation worldwide.

You aim increasingly to sell complete production systems. Can you already report initial successes? We have established the relevant infrastructure and we are now able to offer our customers entire production systems (machine – mold – handling robot). We are currently conducting negotiations with several potential customers and expect initial orders to be placed.

How do you assess the trend for 2003 in the OD sector? High growth rates are still expected in the end-user market for the DVD and CD-R formats – in contrast to the CD-ROM format. We therefore believe that demand for DVD and CD-R molds will be at last year's high levels. We would also be prepared for a sharp rise in demand in this segment.

With its acquisition of Foboha the division is now also one of the world's leading moldmakers in the field of multi-component technology.



This plastic housing requires very high precision for automatic assembly with contact plates.

Leading moldmaker joins the Injection Molding Division

The Injection Molding Division took a significant strategic step with the acquisition of the German moldmaking firm Foboha GmbH with effect from the beginning of 2003. Foboha reinforces the division's market position in moldmaking and contributes useful complementary expertise in multi-component technology. Foboha, which is based in Baden-Württemberg, is a world leader in the development, design and manufacture of injection molds for the plastics industry. In common with its fellow divisional company AWM, Foboha's technical and organizational know-how enables it in principle to cover all fields of application in injection molding technology. The predominant sectors at present are consumer goods packaging, medical technology, telecommunications and electronic equipment. The acquisition of Foboha will give the division a broader base, thus reducing its dependence on the markets for optical discs and OD packaging. AWM intends to follow the trend in this still very important market and thus maintain its significant market share.

Large order from the automobile industry for 2003

The volume parts manufacturing operations were hit especially hard by the economic slowdown. Almost all markets slumped drastically. With turnover some 30% lower, AWM was able to maintain market share with existing customers and at the same time gain new customers with innovative solutions, although the impact on turnover will not be apparent until 2003. This is also the case with a major order for cavity sealing systems for the new VW Golf platform, where AWM is due to start production of millions of units as of mid-year. The molds for this order are also being manufactured by AWM. AWM responded to unsatisfactory levels of capacity utilization in the volume components manufacturing segment in the year under review by optimizing operations and processes, reducing outstanding balances of flexitime and vacation entitlements, and temporary deployment of some personnel at AWM Plastpack Ltd, which manufactures OD boxes on a contract basis. AWM Plastpack maintained four-shift operations throughout the year on highly automated lines with 22 injection molding machines.

Service and consulting

Some 3000 OD molds from AWM are now already in use worldwide. The more molds are in operation, the more important the two service companies in Hong Kong and Beverly (USA) become. Both companies reported substantially higher turnover in the year under review. At the end of 2002 the service company in Hong Kong employed eight people, the unit in Beverly three.

Capital spending

Following the major investments in premises in 2001, the focus in the year under review was on occupying the new manufacturing facility in Muri and bringing it into operation. Mold development, assembly and commissioning are now clearly separated physically from mold component production. Production capacity in the moldmaking sector is now also sufficient to benefit immediately from an economic recovery. AWM brought the proAlpha ERP (Enterprise Resource Planning) application on stream at the beginning of November. This integrated software provides data processing support for all business processes: from purchasing through operations planning and scheduling, production planning and control, production, operations and attendance time recording, goods management, sales, to finance and accounting. AWM's facilities are thus also state of the art in this respect.

AWM is starting production of cavity sealing systems for the new VW Golf as of mid-year.

Personnel

AWM and Foboha aim to continue their growth. Sales and marketing activities, as well as design and engineering, were intensified in the year under review. The number of employees at AWM increased from 289 to 317. Of these 317 employees, 52 are apprentices undergoing training as polymechanics, mechapracticians, designers, clerical staff and plastics technologists. This underlines the high priority given to personnel development at AWM. A modern workshop is available for training in the technical vocations. Five instructors assist the apprentices and ensure that their learning targets are achieved. Together with Foboha, the division now has 481 employees, of whom 68 are apprentices.

Outlook

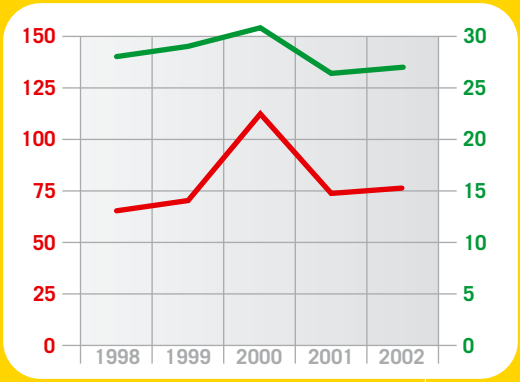
The future prospects for the Injection Molding Division in the medium term are good, especially due to its excellent position in the multi-component parts sector. The outlook in the rather volatile OD segment is more difficult to forecast in the near term. Here, AWM is focusing its efforts on maintaining its high market share.

A number of new developments during the year under review and the large order from the automotive industry will have a positive impact on the trend of business in 2003. However, in many product groups the turnover trend in the current year will again reflect the difficult prevailing economic environment.

TWO-COMPONENT SEALING MODULE – ANOTHER EXAMPLE OF HOW AWM CREATES

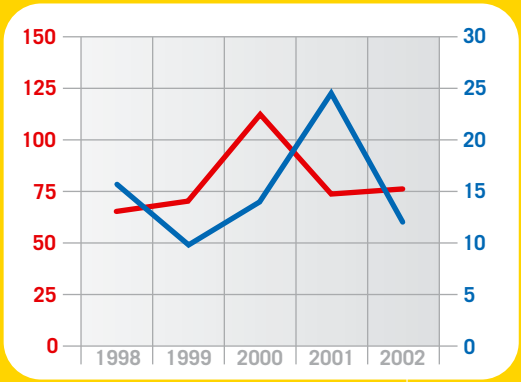
This two-component module, which AWM manufactures for the automotive industry, is used to seal off cavities in the vehicle chassis and prevent disagreeable noise in the passenger compartment. The sealing module consists of a rigid polyamide support and a soft thermoplastic element. While the harder component serves to secure the module during assembly, the soft plastic expands to fill the cavity. A simple and efficient problem-solving approach that calls for considerable technological know-how.

TOTAL INCOME AND EBITDA



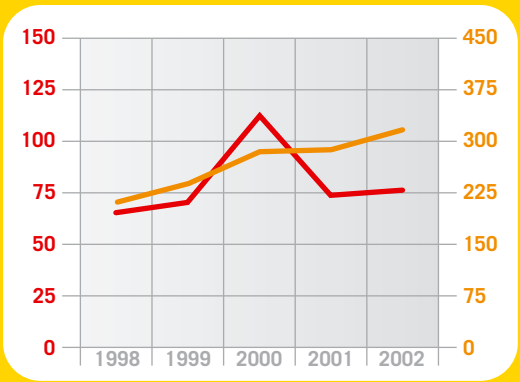
Total income in CHF millions
EBITDA in % of total income

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

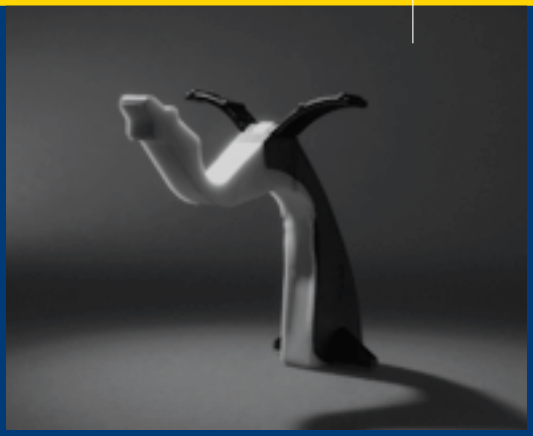
PERFORMANCE DATA AND EMPLOYEES

in CHF millions

	1998	1999	2000	2001	2002
Total income	65.1	70.4	112.5	73.9	76.1
EBITDA	18.2	20.4	34.8	19.5	20.6
EBIT	13.8	13.9	26.0	12.5	13.4
Capital expenditure	10.2	7.0	15.6	18.1	9.2
Employees	213	233	285	289	317

ADDED VALUE FOR ITS CUSTOMERS

As of summer 2003 AWM will produce millions of these cavity sealing modules for the new VW Golf platform.



This yoke plate is used to generate a magnetic field for the control hydraulics of the anti-lock braking system (ABS).

CORPORATE GOVERNANCE

The guidelines issued by the Swiss Exchange (SWX), which came into effect in mid-2002, call for the inclusion of a separate section on the subject of corporate governance. The information to be published is defined in detail. We are happy to respond to this request in the pursuit of our open information policy, and we are presenting this information essentially in conformity with the structure specified by the SWX. Our principles of corporate governance are based on the Articles of Incorporation and the regulations governing the organization and conduct of business.

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):

As of December 31, 2002, 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 15.1%
- Einfache Gesellschaft Dreier 8.8%

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

The overall shareholding structure at December 31, 2002, was as follows:

Number of shares	Number of shareholders
1 to 50	479
51 to 100	98
101 to 1000	88
1001 to 5000	8
More than 5000	6
Total	**679**

Company	Registered office		Share capital	Equity holding
			in 1000	
Adval Tech Holding Ltd	Niederwangen	CHF	7000	
Adval Tech Management Ltd	Niederwangen	CHF	100	100%
Styner+Bienz FormTech Ltd	Niederwangen	CHF	3050	100%
Styner+Bienz US Inc.	Summerville, SC, USA	USD	1	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%

Capital structure

- As of December 31, 2002, 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 registered shares have equal rights. With respect to restrictions on registration, reference is made to the section on shareholders' rights of co-determination.
- As of December 31, 2002, 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, and 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 shareholders' equity are shown in the financial reports on page 23. With regard to the 2000 fiscal year, reference is made to the 2001 financial reports, page 23.

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 2002 fiscal year.
- **Walter Grüebler** (Vice-Chairman), born 1942, Swiss; PhD (Econ.) Saint Gall; CEO of Sika Ltd; director since 1997, non-executive, term of office expires at the AGM for the 2002 fiscal year.
- **Hansruedi Bienz**, born 1936, Swiss; businessman; director since 1967, non-executive, term of office expires at the AGM for the 2002 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 2002 fiscal year.
- **Josef Reissner**, born 1939, Austrian; Prof. Dr., Head of the Institute for Virtual Production at the Swiss Federal Institute of Technology (ETH), Zurich; director since 1997, non-executive, term of office expires at the AGM for the 2002 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 2002 fiscal year; Chairman of the Board of the Adval Tech Group from 1969 through 1997.

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.

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 the executive management level (group management) and decides on remuneration. The Personnel Committee meets as often as business requires. There are no other board committees.

Executive management

The executive management team of the Adval Tech Group (group management) since January 1, 2003:

- **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 Swissmem Committee.
- **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, and since 1974 General Manager of the AWM companies, Head of Division since 1997.
- **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 AG, 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.

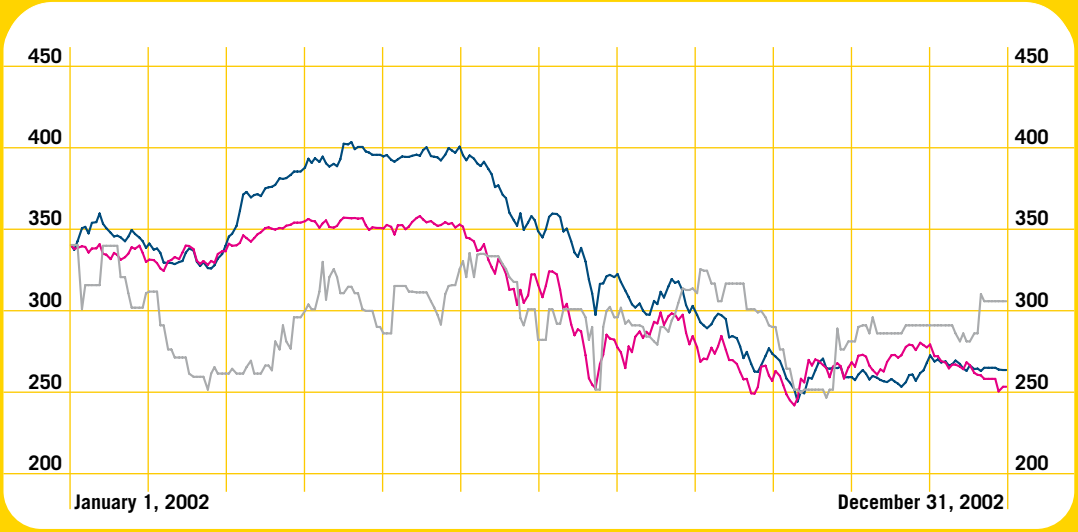
The members of group management are not members of any other executive and supervisory bodies of significant Swiss or foreign corporations, institutions or foundations under private or public law and also hold no important political offices.

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 2002. The remuneration of the four serving executive directors and officers in 2002 totaled CHF 1 603 524. Serving non-executive directors received remuneration totaling CHF 155 000 in 2002. No severance or compensation payments were made to former directors and officers in 2002.

PRICE TRENDS

January 1, 2002, to
December 31, 2002



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

Share statistics 2002

A registered shares	Number	150 000
B registered shares	Number	200 000
Total registered shares	**Number**	**350 000**
EBIT per share	CHF	45.55
Net profit per share	CHF	30.75
Shareholders' equity per share	CHF	329.79
Dividend per share (proposed by the Board)	CHF	12.00
Payout ratio	%	39.0
P/E ratio		9.9
Market prices		
High (3.1.2002)	CHF	340
Low (22.10.2002)	CHF	245
December 31, 2002	CHF	305
Market capitalization		
High	CHF millions	119.00
Low	CHF millions	85.75
December 31, 2002	CHF millions	106.75

The highest total remuneration of a member of the Board of Directors in 2002 amounted to CHF 291 048.

As of December 31, 2002, 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 2002 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 2002 were loans outstanding to directors or officers of the Adval Tech Group.

Shareholders' rights of codetermination

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. 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.

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, i.e. 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 2002 totaled CHF 165 997. PricewaterhouseCoopers AG were also paid CHF 278 350 in 2002 for legal and tax consulting services.

The auditors usually report their audit findings in writing to the board of directors. They also attended a meeting in 2002 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 12, 2003.

The report on the first half of 2003 will be published at the beginning of September.

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

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