



A N N U A L R E P O R T

2017

ADDING VALUE THROUGH INNOVATION

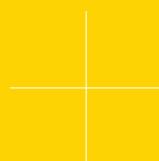
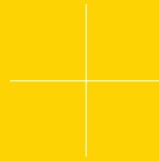






We are Adval Tech

The people behind Adval Tech's success: the 1,400 employees at 11 locations in Europe, Asia and America. Highly motivated and excellently trained, they work together successfully across national borders and in a range of disciplines – each and every day.



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KEY FIGURES OF THE ADVAL TECH GROUP

	2017	Compar- able basis 2016 ¹⁾	2016	2015	2014	2013
Total income (CHF millions)						
Group	207.9	187.5	227.1	224.3	247.0	278.8
Change in %	-8.5		1.2	-9.2	-11.4	-0.3
Per employee (CHF thousands)	152.2		150.4	144.9	148.2	139.7
Components segment	n.a.		180.3	153.1	164.4	193.7
Molds segment	n.a.		48.6 ²⁾	74.4	86.1	89.7
EBITDA (CHF millions)						
Operating earnings before depreciation	19.2	16.0	22.4	24.4	23.3	25.7
in % of total income	9.2		9.9	10.9	9.4	9.2
Components segment	n.a.		14.1	12.3	10.2	11.7
Molds segment	n.a.		6.4 ²⁾	9.7	11.0	12.1
EBIT (CHF millions)						
Operating earnings	10.7	4.5	8.3	9.8	8.9	6.5
in % of total income	5.1		3.7	4.4	3.6	2.3
Net result (CHF millions)						
Profit/loss for the year	8.7		39.7	0.6	1.9	-22.0
in % of total income	4.2		17.5	0.3	0.8	-7.9
Cash flow and capital expenditure (CHF millions)						
Cash flow from operations	14.5		15.0	18.7	9.0	14.5
Operative free cash flow	-2.6		7.6	5.0	-0.3	4.7
Free cash flow	-5.1		110.6	5.0	2.8	37.8
Capital expenditure	-17.4		-7.6	-9.2	-7.0	-7.3
Components segment	n.a.		-6.7	-4.8	-4.3	-6.1
Molds segment	n.a.		-0.7 ²⁾	-3.6	-2.3	-0.7
Balance sheet figures (CHF millions)						
Total assets	172.9		193.6	201.2	220.5	218.7
Shareholders' equity	117.3		133.2	64.6	68.5	64.3
in % of total assets	67.8		68.8	32.1	31.1	29.4
Employees						
on December 31	1,399		1,341	1,482	1,603	1,720
Components segment	n.a.		1,326	1,096	1,227	1,347
Molds segment	n.a.		n.a.	371	361	357
Market capitalization (CHF millions)						
on December 31	174.5		171.6	115.3	131.0	127.8
Selected key figures per share						
Earnings (CHF)	11.98		54.45	0.82	2.59	-30.15
Dividend (CHF)	4.00 ³⁾		41.00	0.00	0.00	0.00
Payout ratio %	33.38		75.31	n.a.	n.a.	n.a.
P/E ratio on December 31	1.67		17.45	n.a.	n.a.	n.a.

According to Swiss GAAP FER

1) Comparable basis: incl. Fischer IMF for 12 months, excl. Molds segment (estimate)

2) Consolidated for eight months

3) Proposed by the Board of Directors

KEY FIGURES AND SHARE STATISTICS

	2017	2016
Registered shares	730,000	730,000
EBIT per share (CHF)	14.64	11.41
Profit per share (CHF)	11.98	54.45
Shareholders' equity per share (CHF)	160.67	182.51
Dividend per share (CHF)	4.00 ¹⁾	41.00
Payout ratio %	33.38	75.31
P/E ratio on December 31	1.67	17.45
Market prices (CHF)		
Low (12/12/17, 02/12/16)	209.70	142.80
High (05/19/17, 08/08/16)	330.00	248.00
December 31	239.00	235.00
Market capitalization (CHF millions)		
Low (12/12/17, 02/12/16)	153.08	104.24
High (05/19/17, 08/08/16)	240.90	181.04
December 31	174.47	171.55

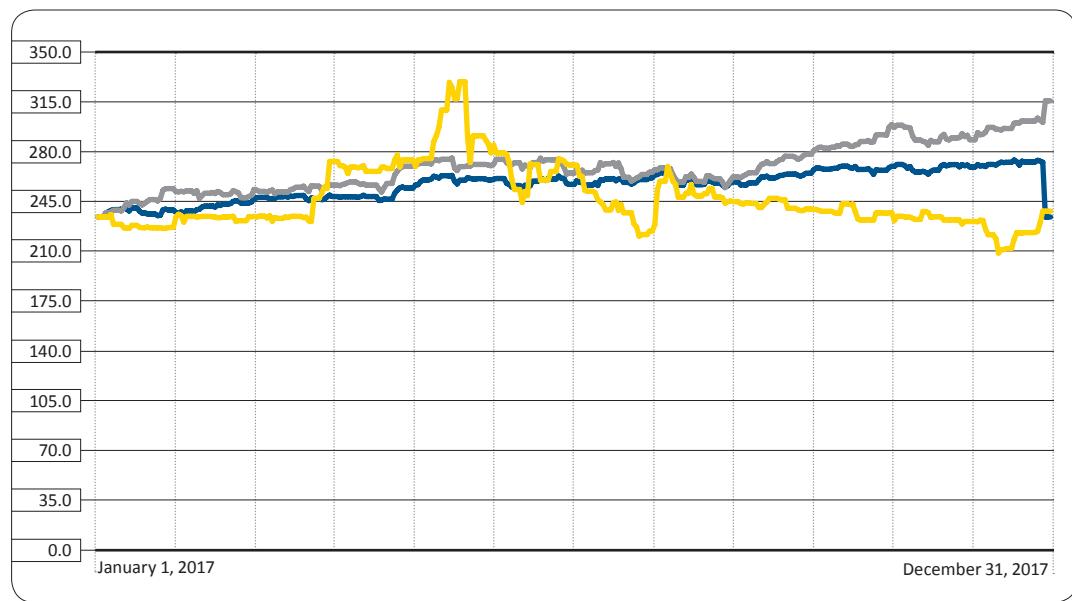
1) Proposed by the Board of Directors

Share statistics

Swiss security no. 896 792

Ticker symbols: ADVN (SIX Swiss Exchange); ADVN SW (Bloomberg)

Price trends
(CHF)



- Swiss Performance Index
- Price of Adval Tech shares
- Swiss Machinery Industry Index

DEAR SHAREHOLDERS

The Adval Tech Group continued its positive long-term trend in 2017, with a net profit of CHF 8.7 million. Our Group has been debt-free since the sale of the Molds segment in 2016 and we are still systematically implementing our focusing strategy.

We set three principal targets for 2017: complete integration of Fischer IMF, successful implementation of the relocation projects scheduled for 2017, and systematic realization of all newly acquired projects. We met all three targets. Completion of the relocations is planned for 2018.

The integration of Fischer IMF into our Group has been a good success. The relocations planned for 2017 – from Uetendorf (Switzerland) to Endingen (Germany), from Sasbach (Germany) to Endingen (Germany), from Uetendorf to Szekszárd (Hungary) and from Plant 1 in Szekszárd to Plant 2 – were implemented successfully. They were very demanding and a major challenge for the employees at the sites involved. In November 2017, we officially opened our two new production facilities in Hungary and Germany on schedule.

Our production site in Endingen is now the largest and also the most modern in the Adval Tech Group. It is also our new competence and production center for all metal components and subassemblies produced for the automotive industry using laser welding technology.

Adval Tech has also concentrated the production of metal components in Szekszárd (Hungary) in a new 5000 square meter building. Our staff now have extremely motivating modern working conditions – the best basis for a good performance. The new building allows us to structure processes optimally in our own premises and to execute orders efficiently.

Our Tech Center Plastic Technology (TCPT) in Muri (Switzerland), which comprises a team of engineers and technical experts, concentrates on plastics applications for automotive manufacturers (OEMs) and their direct suppliers (first tier suppliers).

In Niederwangen (Switzerland), Adval Tech uses high-speed presses to produce large volumes of technically demanding rotationally symmetrical metal parts.

Adval Tech is well positioned in the global automotive industry as a partner for metal and plastic components and is well equipped for the future thanks to a lean organization and a very solid balance sheet structure. Our Group is ideally positioned for profitable, qualitative growth.

Hans Dreier, who was a member of our Board of Directors and the Group Executive Management for many years, stepped down from the Group Executive Management of the Adval Tech Group on April 1, 2018, after reaching retirement age. We would like to thank Hans Dreier for his commitment to our company in many management functions, initially at Styner+Bienz and later at Group level. Hans Dreier has played a key role in shaping our Group over the past 37 years. He remains a member of the Board of Directors of Adval Tech Holding AG and will continue to act as a consultant to the Group Executive Management. Hans Dreier will not be replaced as a member of the Group Executive Management, which as a result now comprises the following three members: René Rothen (CEO), Markus Reber (CFO), and Valeria Poretti-Rezzonico (Head of Corporate HR/Communication).

WILLY MICHEL

CHAIRMAN OF THE BOARD OF DIRECTORS

RENÉ ROTHEN

CHIEF EXECUTIVE OFFICER



We would like to thank our customers, suppliers, and business partners for the good working relationships we have with them and our staff for their great efforts in the past year.

We would also like to thank you, our esteemed shareholders. With your loyalty and trust, you are laying the foundation for a successful future for Adval Tech.

Niederwangen, April 2018

Willy Michel, Chairman of the Board of Directors

René Rothen, Chief Executive Officer

MANAGEMENT REPORT

BUSINESS PERFORMANCE OF THE GROUP

The Adval Tech Group continued the systematic implementation of its focusing strategy in 2017 and achieved good results. The Group has been debt-free since the sale of the Molds segment in 2016 and there is nothing to prevent it driving further forward with its focusing strategy.

When making comparisons with the previous year's results, it should be noted that there has been a significant change in the scope of consolidation. Firstly, the results of the divested Molds segment are no longer included in 2017, whereas in the previous year they were included for eight months (January through August 2016). Secondly, the figures for Fischer IMF are included for the whole of 2017, whereas in the previous year they were only included in the consolidated accounts for nine months.

In 2017, the Adval Tech Group achieved a total income of CHF 207.9 million (2016: CHF 227.1 million, of which CHF 48.6 million was attributable to the Molds segment, which was consolidated for eight months). EBITDA was CHF 19.2 million (2016: CHF 22.4 million, of which CHF 6.4 million was attributable to the Molds segment) and EBIT was CHF 10.7 million (2016: CHF 8.3 million, +28.3%), giving an EBIT margin of 5.1% (2016: 3.7%). The net profit in 2017 was CHF 8.7 million (2016: CHF 39.7 million, most of which was attributable to the sale of the Molds segment).

Exchange rate movements did not have a significant influence on results in the first six months of 2017, but the appreciation of the euro against the Swiss franc in the second half of the year had a positive effect on results. Net of exchange rate effects, total income was CHF 204.6 million in 2017.

Adval Tech set itself the following main targets for 2017:

- Complete integration of Fischer IMF, now Adval Tech (Germany) GmbH & Co. KG
- Successful implementation of the defined relocation projects
- Efficient execution of all newly acquired projects

Adval Tech met all these targets in 2017.

Measures initiated in previous years to ensure rigorous cost control, improve productivity, eliminate duplication, and systematically leverage synergies also played a large part in the company's gratifying performance in the year under review.

Adval Tech expects the market environment to remain equally challenging in 2018. The Group's Swiss companies are still exposed to considerable margin pressure, even though the development of the Swiss franc in the second half of 2017 has eased the situation somewhat. The relocation projects are scheduled for completion in 2018.

Market successes

Adval Tech acquired several large orders in 2016 and 2017, which will ensure capacity utilization at individual sites for years to come. Examples are global production of a safety-related plastic module for vehicle interiors, which will be manufactured using an innovative production process in Mexico from the end of 2018 and in China from 2019. In 2017, Adval Tech acquired new orders from the same customer for further safety-related elements for vehicle interiors. They will be produced in Mexico and used by various automotive brands in a range of models in North America.

In the plastic components business, Adval Tech acquired a new customer for air flow systems in the form of another automotive manufacturer (OEM) belonging to the VW Group. Series production is scheduled to start in Hungary in 2019 and should run for around four years. In the same period, Adval Tech in Hungary will also be producing a new complete system – a front panel including radiator shutter – for various models and various OEMs in Hungary. The series production will run for eight years.

In addition, Adval Tech acquired an order to produce components for oil guidance for a major OEM. Production of all these components is likewise scheduled to start in Hungary in 2018 and will run for around six years.

In the metal components business, Adval Tech acquired new orders for automotive trims, which will be produced in Endingen from 2018 through 2023. Adval Tech has also successfully acquired a number of projects for hybrid and electric vehicles. For example, complex subassemblies and components made by Adval Tech (Germany) will be used to ensure that the battery is protected, held in place, and properly integrated into vehicles. Electrification is not confined to the battery; it covers the entire vehicle. For example, there is a demand for sophisticated structural components made of aluminum for lightweight bodywork and for components that can control modules, conduct heat, and position cable assemblies.

Increasing standardization coupled with the cross-platform and brand approach by OEMs to the development of electric and hybrid vehicles is resulting in a clear increase in unit volumes. In the VW Group, for example, the individual brands are working on joint solutions for a variety of models.

Every electric car also needs conventional structural components that are not directly related to electrification, opening up scope to sell large quantities of components from current series production.

Production of innovative seat structures and other demanding structural components has started in Brazil. At the Niederwangen site in Switzerland, too, Adval Tech has acquired various new projects for rotationally symmetrical parts. One example, is a fuel injection filter, which Adval Tech will produce in series as a one-stop shop for a leading direct supplier to the automotive manufacturer from the first quarter 2019 (see also pages 20 through 34).

Turning to applications that are comparable to those in the automotive industry in terms of unit volumes, quality requirements, lifetime, and production processes, Adval Tech Malaysia has gained new production orders, for example, for various spectrophotometers while Adval Tech Grenchen has acquired a new customer for the production of protective caps for toothbrushes.

Core investments and infrastructure projects

Adval Tech invested heavily in infrastructure expansion at several sites in 2017 – for example, in new presses in Brazil and Germany and additional injection molding machines in Mexico, together with expansion of the related infrastructure.

In Hungary, Adval Tech split its subsidiary Adval Tech (Hungary) Kft. into two separate legal entities at the start of 2017. The plastics business continues to operate under the old name Adval Tech (Hungary) Kft., while the metals business now operates as Adval Tech (Hungary) Plant 2 Kft. In addition, Adval Tech consolidated the production of metal components in Hungary in a new production building with some 5,000 square meters of space in the direct vicinity of the plastic components production plant.

In Endingen, a second production building with around 10,000 square meters of space was constructed and taken into service. This now houses also the Adval Tech Group's competence center for all metals applications for the automotive industry involving laser-welding technology. The components production previously located in nearby Sasbach was transferred to the new building.

DEVELOPMENT OF KEY FIGURES

When comparing the results for the year under review with the previous year, it should be noted that the scope of consolidation changed significantly. Firstly, the results for the divested Molds segment are no longer included in 2017, whereas they were included for the first eight months of the previous year (January through August 2016). Secondly, the figures for Fischer IMF are included for the full year in 2017, whereas in the previous year they were only included in the consolidated accounts for nine months.

Total income

The Adval Tech Group's total income is made up of the following elements:

- Net turnover from the sale of components
- Net turnover from the sale of the related tools for the production of components (including orders measured using the PoC method)
- Other revenues (such as proceeds from sale of scrap)

In 2017, the Adval Tech Group generated total income of CHF 207.9 million (2016: CHF 227.1 million, of which CHF 48.6 million related to the Molds segment, which was consolidated for eight months; the consolidation of Fischer IMF contributed around CHF 32 million to the Group's total income over a period of nine months). Net of exchange rate effects, the Adval Tech Group's total income was CHF 204.6 million in 2017.

Revenues from the sale of tools for the production of components from the OEM business in Mexico and Hungary contributed around CHF 20 million to total income.

In 2017, the Adval Tech Group generated most of its turnover (72%) with customers in Europe (2016: 65%). Asian customers accounted for 12% of turnover (2016: 14%), customers in Latin America for 9% (2016: 9%) and customers in North America for 6% (2016: 12%).

The performance of the Swiss subsidiary Adval Tech (Switzerland) AG (formerly Styner+Bienz FormTech AG) was very pleasing. This company produces rotationally symmetrical metal parts at the site in Niedergang and also sells transfer presses as a sideline. The subsidiary in Hungary (plastic components for OEMs), Adval Tech (Germany) GmbH & Co. KG (formerly Fischer IMF), which was acquired in April 2016, and Adval Tech (Malaysia) Sdn. Bhd. also developed positively. In some countries, especially Thailand, volume sales were still affected by the overall contraction in economic output. The performance of Adval Tech do Brasil was marked by increased challenges in the industrialization of the projects acquired.

Profitability

Higher total income, lower material inputs, and rigorous cost discipline, especially in the relocation of various production facilities, had a positive impact on the profitability of the Adval Tech Group. EBITDA was CHF 19.2 million in 2017 (2016: CHF 22.4 million, of which CHF 6.4 million was attributable to the Molds segment). The EBITDA margin was 9.2% (2016: 9.9%). EBIT was CHF 10.7 million (2016: CHF 8.3 million), giving an EBIT margin of 5.1% (2016: 3.7%). Net of exchange rate effects, EBITDA was CHF 18.7 million and EBIT was CHF 10.2 million. That is particularly pleasing given that in the past a substantial proportion of the operating result came from the Molds segment, which was sold at the end of August 2016.

Extraordinary result

The extraordinary result of –CHF 1.4 million (2016: CHF 34.7 million) mainly comprises the costs of the restructuring and relocations initiated by a decision taken in 2016. Details can be found on pages 105 and 106 of this Annual Report.

Net result

The net profit was CHF 8.7 million in 2017 (2016: CHF 39.7 million, most of which came from the sale of the Molds segment).

Investments and net current assets

The Adval Tech Group invested CHF 17.4 million in property, plant and equipment in 2017 (2016: CHF 7.6 million), primarily for the components business and the associated new orders. The cash flow from operations was CHF 14.5 million in 2017 (2016: CHF 15.0 million). The free cash flow was –CHF 5.1 million (2016: CHF 110.6 million, most of which was attributable to the sale of the Molds business). The free cash flow was influenced by higher capital expenditures for property, plant and equipment than in the previous year (including around CHF 11 million for the two buildings in Hungary and Germany).

At the end of December 2017, net current assets (trade accounts receivable, inventories and trade accounts payable) stood at CHF 36.8 million (December 31, 2016: CHF 34.9 million). Net current assets accounted for an unchanged 19.3% of total income.

Equity ratio and bank loans

The equity ratio declined from 68.8% in 2016 to 67.8% in 2017. This was primarily due to the payment of CHF 29.9 million out of the capital contribution reserve in May 2017. The Group has been debt-free since September 2016.

Share price

The key figures per share and the share price performance are shown on page 7 of this Annual Report.

Dividend distribution

At the Annual General Meeting on May 17, 2018, the Board of Directors will propose a payment of CHF 4.00 per share out of the capital contribution reserve.

CUSTOMER AND EMPLOYEE SATISFACTION

Customer satisfaction plays an important role in the future development of the Adval Tech Group. The Group checks strict observance of the agreed quantities, deadlines, and quality for all customers. Further, Adval Tech ensures customer satisfaction by making regular visits to customers, identifying improvement potential, and proposing possible solutions.

Employee satisfaction is also measured regularly, every two years, at Adval Tech. The next survey will take place in 2018. The results will be assessed and analyzed for each location to identify areas with potential for improvement. Each company will develop a corresponding implementation and action plan.

EMPLOYEES

Employees and their know-how are the Adval Tech Group's most important resource. The Group therefore pays great attention to its employees and offers them attractive career opportunities. Adval Tech has defined the following staff management goals: first, hire the right people; second, support and develop the right staff members; third, hold onto the best employees for the long term; fourth, recruit qualified specialists and managers; fifth, be an attractive and competitive employer; and sixth, foster a positive corporate image. To achieve these goals, Adval Tech has defined a human resources philosophy represented by the motto "Together to the top." Under this philosophy, staff are expected to engage in continual development, and Adval Tech invests proactively in training and education to this end. The Group also encourages work abroad. Through intensive exchanges among our locations in different parts of the world, our employees acquire technical expertise, improved language skills, and intercultural proficiency. Adval Tech also cultivates a relaxed team culture, not only within the corporate group, but also in project teams together with global customers. And Adval Tech fosters the next generation, helping young talent develop into seasoned professionals.

The headcount increased from 1341 FTEs (year-end 2016) to 1399 (year-end 2017).

RISK MANAGEMENT

Through its extensive risk management, Adval Tech ensures identification and evaluation of the risks to which the Group is exposed. In addition, risk management ensures efficient use of appropriate oversight and risk management measures.

Adval Tech's central risk evaluation system covers both strategic and operational risks. All the risks identified are evaluated (in terms of the probability that they will materialize and the extent of the potential damage) and recorded in a risk inventory. On the basis of this risk inventory, the Board of Directors examines, at least once a year, whether adequate steps are taken to address and minimize the risks. Ongoing monitoring of the risk inventory is assigned to the Risk Management Officer – in other words the CFO – who discusses the issues internally with the Group Executive Management.

The impact of exchange rates on the Swiss sites eased during 2017. This was due partly to the positive development of the exchange rate of the euro versus the Swiss franc, and partly to the steps taken by Adval Tech Group to mitigate risks, namely strategic and financial hedging.

More detailed information on financial risk management can be found on pages 81 and 82 of this Annual Report.

OUTLOOK

As a global industrial partner for top-quality, advanced metal and plastic components, general global economic trends and the present uncertainty in various areas have a fairly direct impact on Adval Tech.

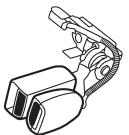
The situation in the Adval Tech Group's main market, the automotive industry, is very heterogeneous at present and it is difficult to predict how it will develop. While in OEM business Adval Tech can participate in record volume sales of certain premium brands, greater restraint is currently visible in the tier one business. Here, Adval Tech's presence mainly comprises safety components, which are used in a wide range of models.

Adval Tech's goal for 2018 is to extend its marketing activities further and to complete the planned relocation of production operations to Germany and Hungary. For the many new products, the motto is: "Right first time".

Adval Tech expects the market environment to remain equally challenging in 2018. Although the exchange rate situation has eased, the Group's Swiss companies are still exposed to massive pressure on margins.

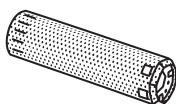
The Adval Tech Group is not giving specific guidance on total income and EBIT in 2018.

Safety



Seat belt mounts

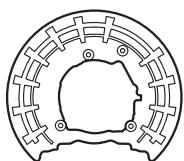
- Safety belt buckle
- Brake cover
- Backing plate
- Heat cover
- ABS components
- Knee air bag cover
- Combuster
- Gas generator
- Seat belt retention system
- Seat belt mounts
- Brake cover seat adjustment
- Brake fender
- Crash absorber



Combuster



ABS Components

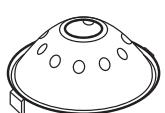


Brake cover

Power train

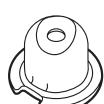


Fuel filter

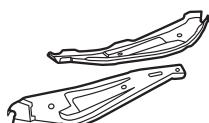


Fuel injection pump

- Fuel filter
- Gear parts
- Magnet acuator
- Pole housing
- Fuel injection pump
- Membrane
- Common rail



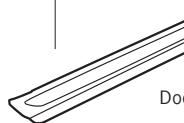
Common rail



Seat adjustment



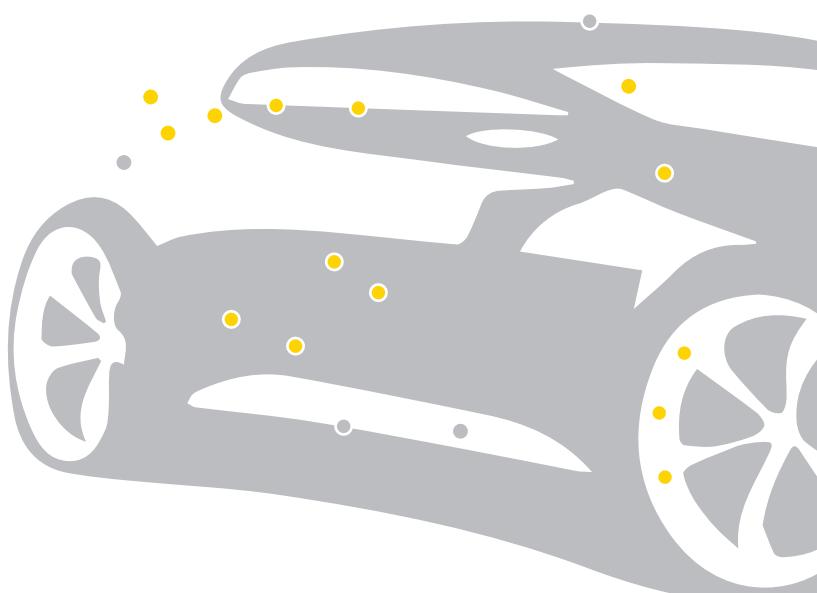
Trim



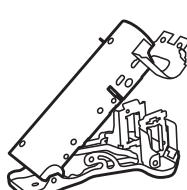
Door sill plate

Interior/Decor

- Seat adjustment
- Sun blind
- Door sill plate
- Trim
- Interior decor parts



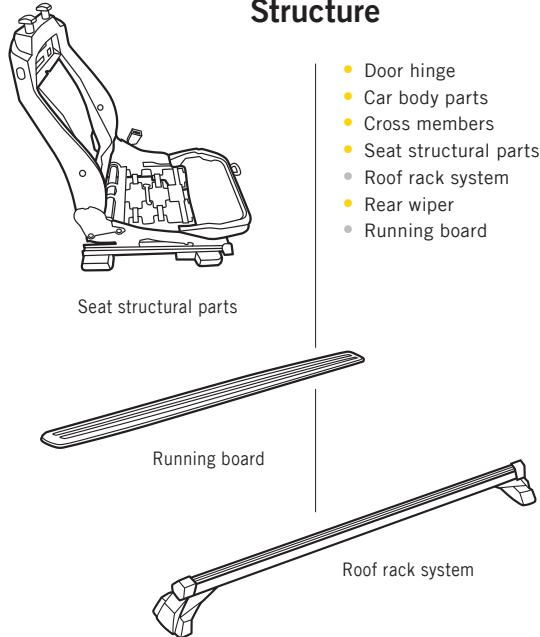
Steering



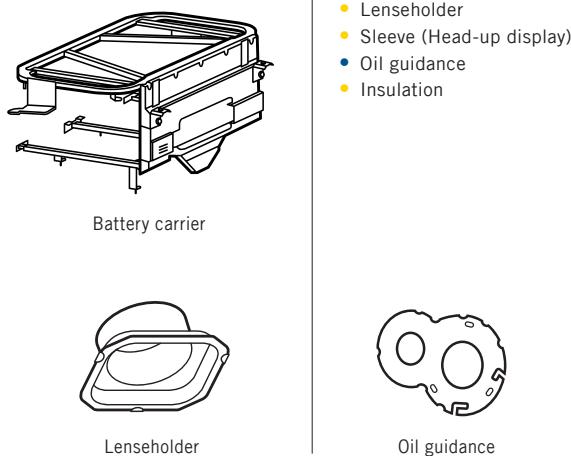
Steering system

- Column jacket
- Steering wheel cover
- Yoke
- Clamping system
- Crash system
- Bracket

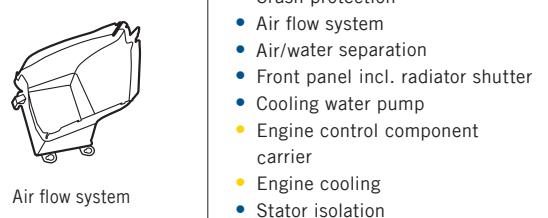
Structure



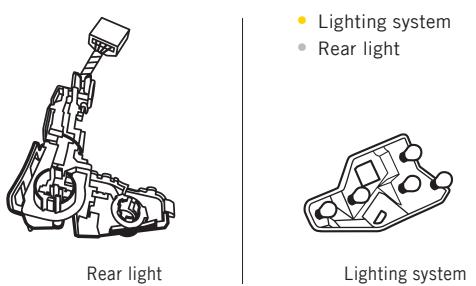
E-Mobility/ Autonomous driving



Car front



Lighting



ONE-STOP-SHOP ADVAL TECH

A TINY PART BUT A GIANT LEAP FORWARD

It all started with a vision – followed by hours of tireless work. After two-and-a-half years of development in collaboration with the customer, the goal was achieved: in September 2017, a global technology corporation nominated Adval Tech to produce the fuel filter for the final filtration step. A high-tech, one-stop solution for a new generation of fuel filters.

Fuel filters may look unspectacular on the outside, but they are highly complex inside, and they are fitted to all vehicles with a combustion engine. They filter out minute impurities from the fuel and provide lasting protection for the engine against wear and tear. Even with state-of-the-art fuel production and logistics, particles of paint, metal, plastic, and pollen can get into the tank unnoticed and contaminate the fuel. However tiny they may be, such particles have to be removed, otherwise they could clog the fuel injection system in the engine and possibly cause irreparable damage.

Given the microscopic dimensions of such particles, it is evident that the holes in a fuel filter need to be exceptionally small. That makes production highly complex. To make things harder, as well as setting high standards of quality and precision, the automotive industry requires in addition to a best possible price high-volume production runs.

Bulk production of tiny yet highly complex, high-purity components

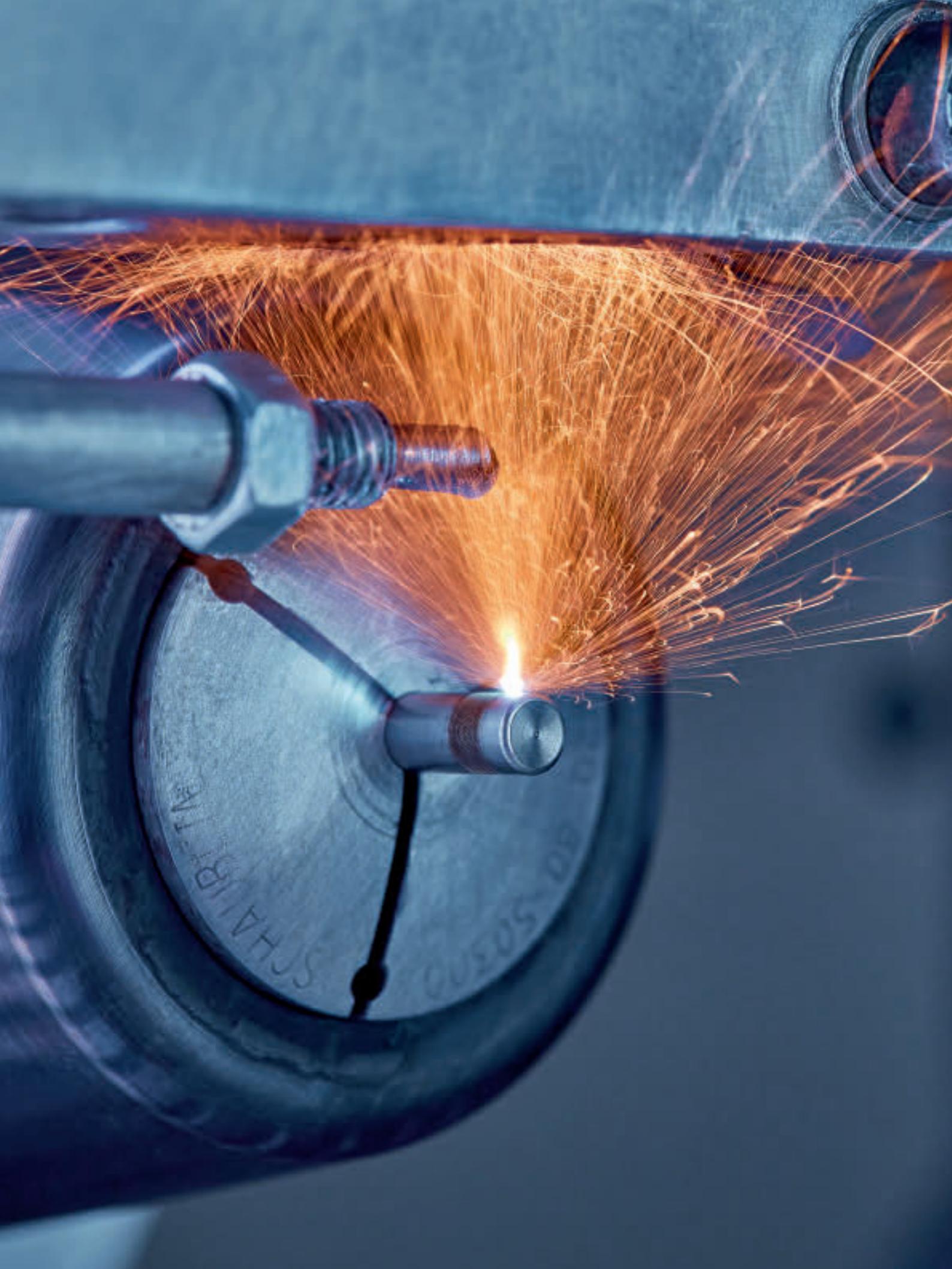
Back in 2015, when the first tier automotive supplier officially started to look for a partner to develop and produce a new fuel filter, Swiss industrial group Adval Tech expressed an interest in tackling this ambitious project. Collaborating on the development of highly complex, cleaned yet minute components for bulk production, followed by upscaling for industrial production and on-time delivery in the agreed quality over many years – the assignment was a perfect fit for Adval Tech. And yet, in spring 2015 it was far from certain that the production site in Niederwangen, Switzerland, could secure this order.

The company first had to take part in a two-year contest to prove that it is not simply capable of producing the highly complex filters in line with the technical specifications, but can also offer them at a competitive price. The task was clear: “Do it better than everyone else” – and do it right first time.

Innovative ideas that exceeded the customer's expectations

That led to a period of intensive and highly focused work at Adval Tech. Once again, the Group benefited from its experience of major automotive projects, its technological edge in deep drawing, and the enormous consulting expertise of its specialists. The management set up a team of highly motivated specialists: an interdisciplinary group of process engineers, quality experts, and tooling specialists determined to find the optimal solution in collaboration with the customer. The task was clear: to meet all of the automotive supplier's needs, taking into account its situation as a major corporation, and to come up with innovative ideas that exceeded its expectations.

After two-and-a-half years of development work, hundreds of emails, countless phone calls, and 1,500 prototype parts, the goal was achieved: in September 2017, the customer decided to nominate Adval Tech (Switzerland) AG (formerly Styner+Bienz FormTech AG) to produce the part. Adval Tech's offer was convincing in all respects: as a one-stop shop, it can take care of all stages in the supply chain and deliver the entire subassembly to this market leader from a single source. Design of the individual parts, tool development, deep drawing, fine cleaning, laser drilling, camera inspection, and assembly: the customer does not have to deal with details of the various steps in the process because overall responsibility is borne by the specialists in Niederwangen. Adval Tech (Switzerland) AG could also compete on price, thanks to a new, cost-efficient process to drill the minute holes in the filter. The new systems technology will also make a big contribution to reducing exhaust emissions.



Modular approach offers further development potential

In keeping with normal practice in the automotive industry, the pioneering injection system with the new filter is based on a modular concept. That means it can be integrated universally into many different engine types – in line with the customer's requirements. The first filters produced by Adval Tech will be used in engines for a premium car manufacturer. In the first six years of the collaboration with the automotive supplier, Adval Tech will

produce several million filters a year. And there is a good chance that this can be increased to ten million a year in the near future because other car manufacturers have expressed an interest in the new systems technology. Adval Tech recognized the market trend towards products that help to reduce exhaust emissions at an early stage. Thanks to its flexibility, Adval Tech Niederwangen can easily supply customers throughout the world from its site in Switzerland.

Manufacturing process of fuel filter

F I L T E R

Incoming Inspection

- Check of raw material characteristics
- Material release

Stamping / Deep Drawing

- Part manufacturing
(Tool: Transfer 60 tons)

Laser Drilling

- Laser drilling of holes
- 100% automated optical check of hole characteristics

Cleaning

- Preliminary cleaning (washing)
- Fine cleaning (vacuum and ultrasonic)

Assembly

- Distance-controlled and force-monitored assembly of filter and cap

Packing

- Packing as bulk
- Labelling
- Creation of shipment documents
- Shipping

C A P

Incoming Inspection

- Check of raw material characteristics
- Material release

Stamping / Deep Drawing

- Part manufacturing
(Tool: Progressive 60 tons)

Deburring

- Barrel grinding to remove burrs and sharp edges

Cleaning

- Preliminary cleaning (washing)
- Fine cleaning (vacuum and ultrasonic)



Number of holes:
more than 3500
Diameter:
smaller than 0.05 mm

FIVE QUESTIONS TO JÜRG SPIELER, GENERAL MANAGER OF ADVAL TECH (SWITZERLAND) AG, ROTATIONALLY SYMMETRICAL PARTS

How important is this project for Adval Tech?

It is an important step in the ongoing development of our site in Switzerland and confirms the strategy of one-stop shop solutions that we defined years ago. We offer our customers small, lightweight yet complex rotationally symmetrical parts produced in high volumes on the basis of a multi-year partnership. We have proven once again that Switzerland's international reputation for precision engineering can compete on price thanks to technological innovation. The scalability of this order is particularly pleasing. Our technology is poised for further nominations and the solution has generated enormous interest in the engines market. We are already able to raise volumes and could supply the system to other end-customers around the world at any time.

What did you particularly enjoy about the project?

Collaboration with the customer was highly professional from the start, yet very challenging and time-consuming. The chemistry was right and we worked together as equals: each partner valued the other's know-how. This big automotive supplier was demanding but always very open and transparent. The work was characterized by a shared determination to make the apparently impossible possible.

What do you think enabled you to secure the order?

Our one-stop shop gives the customer a complete package that meets all of its needs. The customer specifies the dimensions of the assembly, and we deal with the countless details. Our new process to drill the holes gives us a key cost advantage. Another major advantage was doubtless the fact that the customer already knew us as a good and reliable partner.

How did the team develop during the project?

Team spirit was the key to our success. People didn't let up: they focused on the project for months. Despite setbacks, we were always on the ball. That enabled us to keep calm and maintain an overview at all times.

Production of the filter will start in the first quarter of 2019. What challenges will that bring?

The next challenge will be starting up series production to ensure that we meet the agreed precision and cycle times right from the beginning. We will be drilling extremely small filter holes into millions of parts – for many years. Even the slightest inaccuracy in the system would be fatal. An interdisciplinary team of specialists makes sure that we can guarantee the precision and quality of the components over a long period, even at high production rates.





Maximilian Reutler
Key Account Manager

Sandro Bertogg
Prototype Production

Martial Schär
Production Engineer

Bruno Bigler
Prototype Production

Philipp Schäble
Head Quality

Urs Graf
Head Tool Development

ONE - STOP - SHOP



Reto Maffioli
Head Industrial Engineering

Anton Gilgen
Procurement

Michael Spiegl
Manufacturing

Ivona Kljajic
Human Resources

Jürg Spieler
General Manager

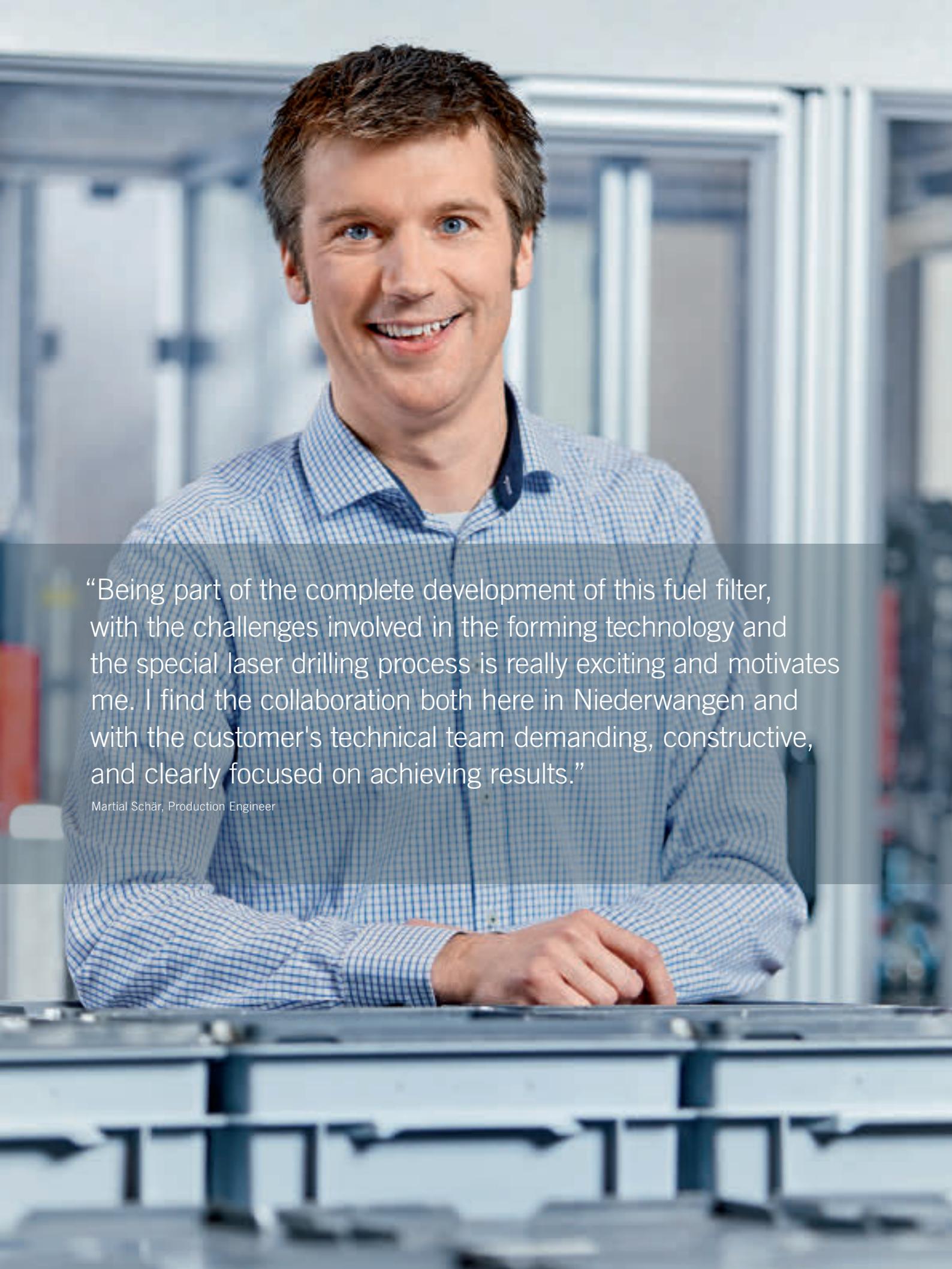
Rolf Beer
Procurement

Marco Arni
Head Finance & Controlling

A professional portrait of a man with short brown hair and glasses, wearing a dark blue suit, white shirt, and blue patterned tie. He is smiling and holding a small, light-colored rectangular object, possibly a product, between his fingers. The background is blurred, showing what appears to be an industrial or laboratory setting.

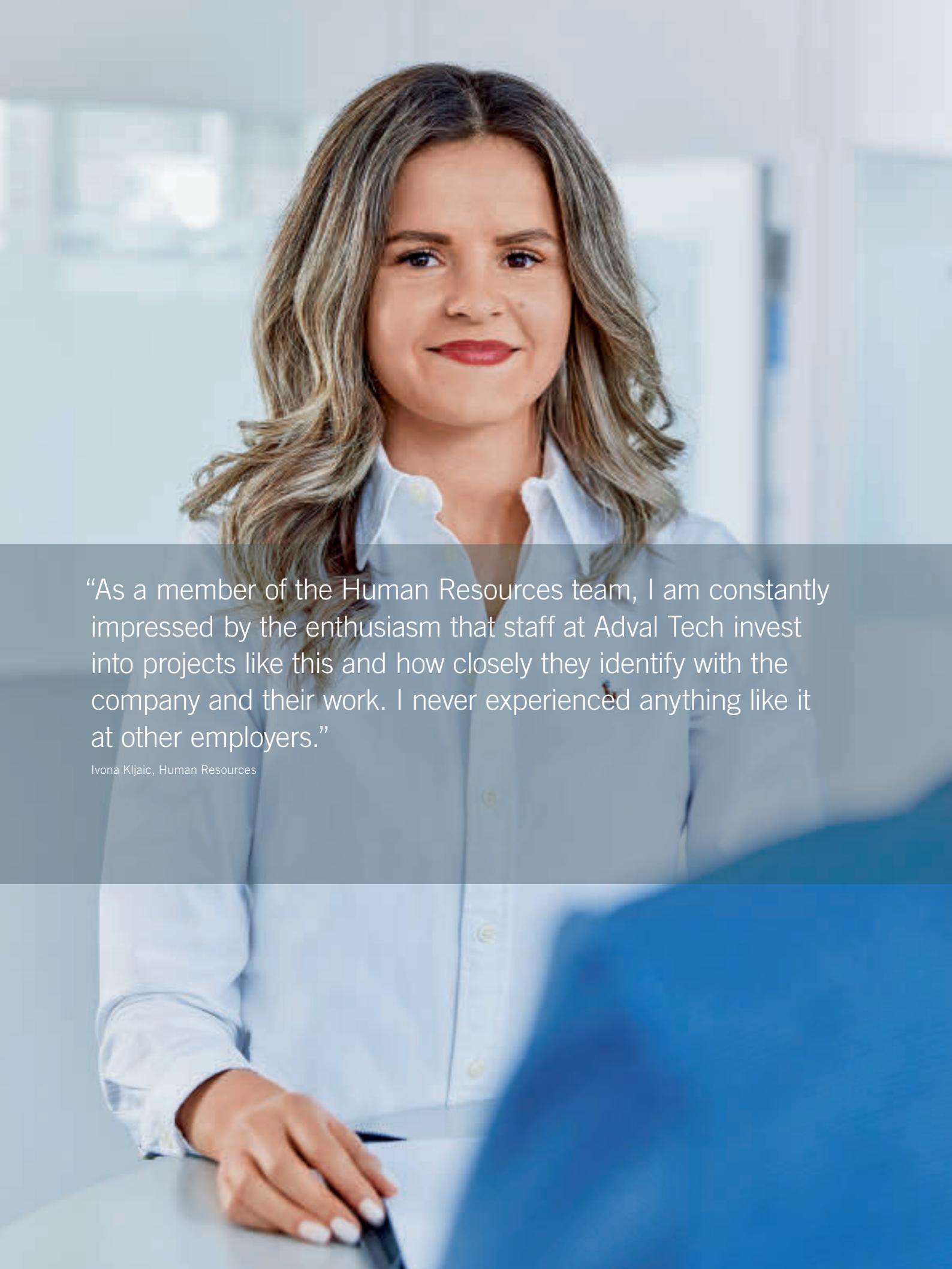
“How all the specialists and different personalities involved in this project contribute their ideas, experience, and expertise; how the product slowly takes shape, how we all learn from each other – this is really unique. And at the end, the satisfied customer holds a leading-edge product in his hand.”

Maximilian Reutler, Key Account Manager



“Being part of the complete development of this fuel filter, with the challenges involved in the forming technology and the special laser drilling process is really exciting and motivates me. I find the collaboration both here in Niederwangen and with the customer's technical team demanding, constructive, and clearly focused on achieving results.”

Martial Schär, Production Engineer

A professional headshot of a woman with shoulder-length, wavy hair with blonde highlights. She has dark eyes and is wearing a light blue button-down shirt. She is smiling slightly and looking directly at the camera. The background is a bright, slightly blurred indoor setting.

“As a member of the Human Resources team, I am constantly impressed by the enthusiasm that staff at Adval Tech invest into projects like this and how closely they identify with the company and their work. I never experienced anything like it at other employers.”

Ivona Kljaic, Human Resources



“In prototype production, I was able to draw on my 45 years’ experience to play a key role in helping shape product and process development for this complex subassembly. A really great, exciting project towards the end of my career.”

Bruno Bigler, Prototype Production



“Defining, evaluating, and scaling up the resources for industrial production of such a complex product is a fascinating and wide-ranging task and a great challenge. From forming processes through laser drilling technology and the associated automation, including complete visual inspection right up to fine cleaning and assembly of the components.”

Reto Maffioli, Head Industrial Engineering, responsible for infrastructure

A portrait of Urs Graf, Head Tool Development, smiling. He is wearing a light green long-sleeved shirt. In the background, there is a computer monitor displaying a 3D CAD model of a mechanical part. A precision measurement tool, likely a coordinate measuring machine (CMM) probe, is positioned over a physical metal component on a workbench in front of him.

“What made this project really challenging was the small dimensions of the component. Within the customer’s detailed specifications, we had considerable scope for development – precisely because we cover the entire value chain in-house. Collaboration with the customer is sensational.”

Urs Graf, Head Tool Development

METAL COMPONENTS



PLASTIC COMPONENTS

Consultancy and product development

We use the latest simulation techniques to optimize existing forming processes and evaluate the feasibility of newly developed processes.



Simulation and prototype engineering

We build our own machinery and tools, and guarantee our customers stable and efficient manufacturing processes.



Tool development and production

We are leaders in stamping and forming, in both progressive composite and transfer technology. By using state-of-the-art tools we guarantee our customers exceptionally short development lead times.



Component production

We provide a full range of follow-up processes, from laser drilling, laser welding and other connection technology through to high-spec cleaning. We work in flexible processes, organized in line with the latest criteria. In one-piece-flow or value-stream-optimized assembly lines, the flow principle is used to create complex subassemblies step by step.



Assembly

We use molds to create prototypes for functional validation, then test them either internally, through an external partner or on the customer's premises, as required. When designing molds, we first conduct Moldflow simulations or, if necessary, extended simulations such as FEM or flow calculations and acoustic tests.

When developing and constructing our molds, we work with strategic partners worldwide. Our APQP (Advanced Product Quality Planning) team performs product and process validation for the stable, high-quality mass production of components, subassemblies and systems, applying statistical fault prevention methods.

To ensure top product quality at all times, we employ state-of-the-art testing and measuring systems along with a range of automated testing equipment. In cleanliness testing we use both gravimetric and particle analysis.



Measuring and testing

Our equipment consists largely of multi-component injection-molding machinery with clamping forces ranging from 800 to 130,000 kN.

To produce subassemblies or systems in large volumes from individual components, we employ either fully automated assembly systems or semi-automated assembly aids with built-in quality control, as required. This ensures our production processes can be replicated worldwide.

We use state-of-the-art measuring and testing equipment in all our production plants worldwide to ensure top product quality, everywhere and at all times. Depending on the project, we employ functional gages, attribute gages or automated testing equipment.

MISSION STATEMENT, STRATEGY AND VALUES

The Adval Tech Group is a global industrial supplier of technologically sophisticated components and subassemblies made of metal and plastic. It focuses on selected activities, especially in its main target market, the automotive industry.

Metal components and subassemblies

Adval Tech produces large quantities of stamped and formed series parts and subassemblies for the automotive industry.

The Group produces the necessary tools in-house. For certain applications, the Group also constructs entire production facilities. Adval Tech makes rotationally symmetrical parts (e.g. components for airbags, ABS braking systems and fuel injection systems), steering system subassemblies, roof rack systems, decor parts (e.g. trims), structural components and composite components from metal and plastic elements (e.g. door sill plates).



		Components	
		Metal	Plastic
Europe	Adval Tech (Grenchen) AG, Grenchen, Switzerland		●
	Adval Tech (Hungary) Kft., Szekszárd, Hungary		●
	Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	●	
	Adval Tech (Germany) GmbH und Co. KG, Endingen, Germany	●	
	Adval Tech (Switzerland) AG, Niederwangen, Switzerland	●	
Asia	Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia		●
	Adval Tech (Suzhou) Co. Ltd, Suzhou, China		●
	Adval Tech (Thailand) Co. Ltd, Rayong, Thailand		●
Americas	Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico		●
	Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais, Brazil	●	
	Adval Tech (US) Inc., Cleveland, Ohio, USA	●	

These parts are manufactured in Switzerland, Germany, Hungary, Brazil and North America.

Plastic components

Adval Tech produces highly innovative plastic parts in large batches for selected application areas. For example, it supplies automotive manufacturers and first-tier customers with air-water separation systems, air flow elements, air guidance systems and seatbelt buckles. Adval Tech also produces plastic parts, assemblies and systems for the household appliance and the medical device field. The production facilities for plastic components are located in Switzerland, Hungary, China, Thailand, Malaysia and Mexico.

Vision

Adval Tech is the preferred industrial partner for series metal and plastic parts. To realize this vision, the Group functions as a one-stop shop for the entire value chain, keeps up with its globally active customers and thereby evolves as a leading global partner. The Group also offers innovative solutions and efficient processes, thus ensuring profitable growth.

Mission

Adding value through innovation – that's what the name Adval Tech stands for. The Group is a global industrial supplier of technologically sophisticated components and subassemblies made of metal, light metals and plastic. Adval Tech focuses on the auto-

motive market and on applications similar to those for the automotive industry in terms of quantities, quality requirements, service life and production processes. By involving supply chain partners that are technology leaders in the value chain from the outset, it minimizes risks. The Group delivers quality without compromise worldwide. With its solutions and services it generates benefit for customers in terms of deadlines, quality and costs.

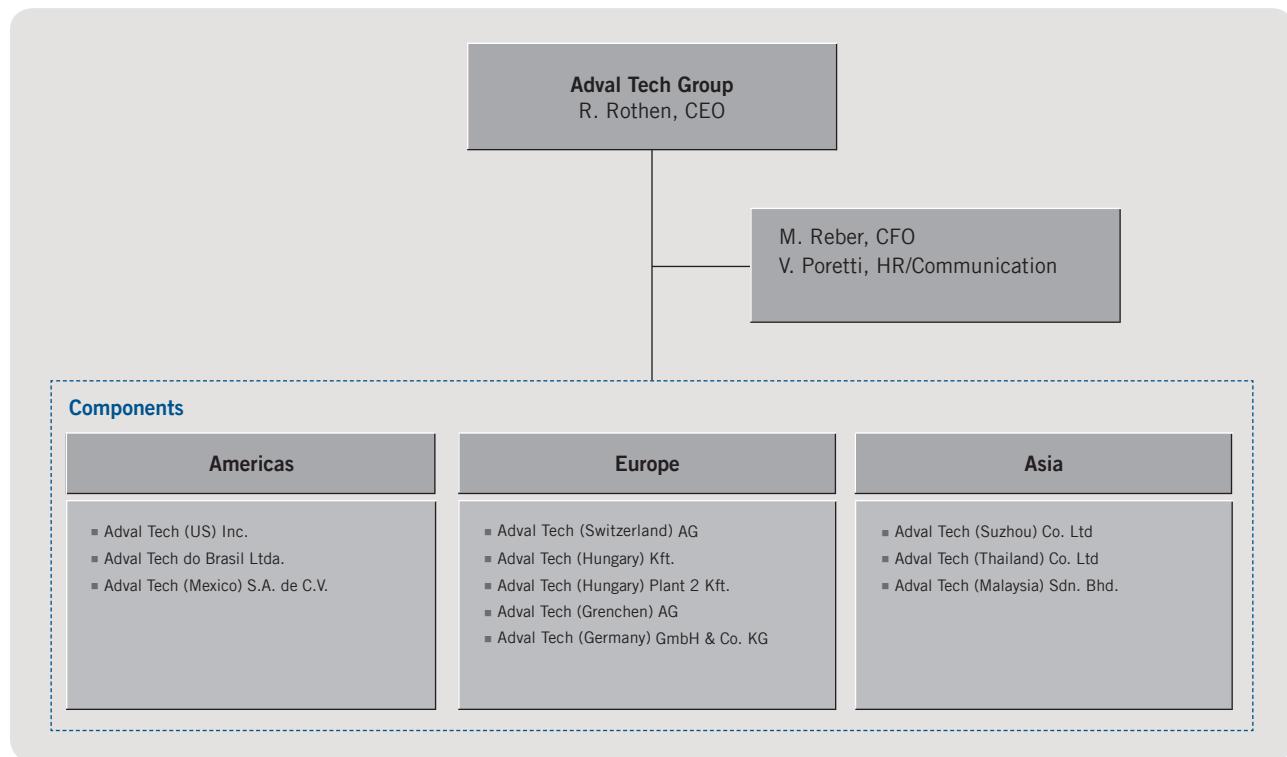
Values

Passion, focus and discipline are the three values that drive Adval Tech. Its employees have a win-win mentality and a great desire to succeed as a team. Adval Tech acts as a long-term, valuable partner and focuses its activities on applications that generate sustainable added value – for both the customers and the Group. Adval Tech adheres rigorously to customer agreements: its employees do what they say and deliver what they promise.

One-stop shop

Whether metal, plastic or hybrid technologies, whether for decor and safety-related parts for the automotive industry or for related applications in other markets: as a one-stop shop, Adval Tech supports its customers throughout the value creation process; from product development and prototyping, through tool and process development to component production and assembly.

GROUP STRUCTURE



As at April 1, 2018

GROUP EXECUTIVE MANAGEMENT

VALERIA PORETTI-REZZONICO HEAD CORPORATE HR/COMMUNICATION

RENÉ ROTHEN CHIEF EXECUTIVE OFFICER

MARKUS REBER CHIEF FINANCIAL OFFICER

(FROM LEFT TO RIGHT)

EXECUTIVE BODIES

Board of Directors

Dr. h.c. Willy Michel, Chairman
Hans Dreier
Dr. Roland Waibel
Christian Mäder

Audit Committee: Dr. Roland Waibel (chair), Hans Dreier

Appointments and Compensation Committee: Dr. h.c. Willy Michel (chair),
Dr. Roland Waibel, Christian Mäder

Group Executive Management

René Rothen, Chief Executive Officer
Valeria Poretti-Rezzonico, Head Corporate HR/Communication
Markus Reber, Chief Financial Officer

Statutory Auditors

PricewaterhouseCoopers AG, Bern



CORPORATE GOVERNANCE

Adval Tech's corporate governance structure is based on the company's Articles of Incorporation and regulations governing the organization and conduct of business. Unless otherwise specified, the present Corporate Governance Report refers to the 2017 financial year, to the position at the balance sheet date of December 31, 2017, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 23, 2017. The following report conforms essentially to the structure specified by SIX Swiss Exchange.

Group structure and shareholders

Adval Tech Holding AG, incorporated in Niederwangen, Switzerland, is organized as a holding company under Swiss law and directly or indirectly owns all Adval Tech companies worldwide. The Adval Tech Group focuses on the automotive market and related applications (metal and plastic components). The operating business units report directly to the CEO.

Group management and Group financing are conducted through Adval Tech Management AG and Adval Tech Holding AG. Business is conducted through the relevant Group companies. The current Group structure is shown on page 38.

Adval Tech has a single class of shares (registered shares). All registered shares are listed on SIX Swiss Exchange under securities number 896 792 and are traded in line with the Swiss Reporting Standard.

The SIX Swiss Exchange ticker symbol for Adval Tech registered shares is ADVN, the Reuters symbol is ADVN.S, and the Bloomberg symbol is ADVN SW. The ISIN number is CH0008967926. The market capitalization of Adval Tech Holding AG on December 31, 2017, was CHF 174.5 million.

On December 31, 2017, Adval Tech Management AG held 507 registered shares in Adval Tech Holding AG, giving it a stake of 0.07% (previous year: 800 registered shares). The remaining Group companies hold no shares in Adval Tech Holding AG.

The following companies are included in the scope of consolidation as at December 31, 2017:

Company	Registered office	Share capital	Equity holding	
Adval Tech Holding AG	Niederwangen, Switzerland	TCHF	14,600	
Adval Tech Management AG	Niederwangen, Switzerland	TCHF	100	100%
Adval Tech Immobilien AG	Niederwangen, Switzerland	TCHF	100	100%
Adval Tech (Switzerland) AG	Niederwangen, Switzerland	TCHF	3,050	100%
Adval Tech do Brasil Indústria de Autopeças Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
Adval Tech (US) Inc.	Cleveland, Ohio, USA	TUSD	1	100%
Adval Tech Holding (Germany) GmbH	Endingen, Germany	TEUR	25	100%
Adval Tech (Germany) GmbH & Co. KG	Endingen, Germany	TEUR	1,132	100%
Adval Tech (Germany) Verwaltungs GmbH	Endingen, Germany	TEUR	51	100%
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TUSD	3	100%
Adval Tech (Hungary) Kft.	Szekszárd, Hungary	TEUR	990	100%
Adval Tech (Hungary) Plant 2 Kft.	Szekszárd, Hungary	TEUR	10	100%
Adval Tech (Grenchen) AG	Grenchen, Switzerland	TCHF	2,000	100%
Adval Tech Holdings (Asia) Pte. Ltd	Singapore	TUSD	13,517	100%
Adval Tech (Thailand) Co. Ltd	Rayong, Thailand	TTTB	40,000	100%
Adval Tech (Suzhou) Co. Ltd	Suzhou, China	TUSD	9,660	100%
Adval Tech (Malaysia) Sdn. Bhd.	Johor, Malaysia	TUSD	505	100%
Omni Plastics (Shanghai) Co. Ltd	Shanghai, China	TUSD	1,100	100%
Omni Engineering Shanghai Co. Ltd	Shanghai, China	TUSD	2,800	100%

The following changes in the scope of consolidation took place in the year under review: Adval Tech (Hungary) Plant 2 Kft. was established in the first half of 2017 by spinning off the existing metal components business from Adval Tech (Hungary) Kft. All shares in the new company are held directly by Adval Tech Holding AG. Therefore, from an economic viewpoint the scope of consolidation has not changed. Furthermore, the "Styner+BIENZ" companies in Switzerland, Brazil and the USA, and the "Fischer" companies in Germany were renamed in 2017. Group membership is now directly visible in the names of all operating companies in the Group.

In the previous year, the scope of consolidation of the Adval Tech Group changed as follows: At the beginning of April 2016, the Group took over Fischer IMF GmbH und Co. KG in Endingen am Kaiserstuhl (Germany). In this context, the following companies were included in the scope of consolidation of the Adval Tech Group:

Adval Tech Holding (Germany) GmbH, Endingen am Kaiserstuhl: The purpose of this company is to acquire and sell, hold and manage equity interests and properties. Adval Tech Holding (Germany) GmbH acquired the operating property of Fischer IMF GmbH & Co. KG in Endingen and leases it to Fischer IMF GmbH & Co. KG. In connection with the acquisition of the shares in Fischer IMF GmbH & Co. KG, Adval Tech Holding AG acquired 100% of the shares in Adval Tech Holding (Germany) GmbH from third parties.

Fischer IMF GmbH & Co. KG, Endingen am Kaiserstuhl: This company manufactures tools for the production of pressed and formed metal parts and produces metal components and modules; both areas of activity primarily serve the automotive market. Its customers include well-known German automotive manufacturers and global automotive suppliers. Fischer IMF GmbH & Co. KG generates total income of around EUR 30 million a year. Adval Tech Holding AG acquired 100% of the shares in Fischer IMF GmbH & Co. KG indirectly through Adval Tech Holding (Germany) GmbH.

Fischer IMF Verwaltungs-GmbH, Endingen am Kaiserstuhl: This company is the general partner in Fischer IMF GmbH & Co. KG. Adval Tech Holding AG acquired 100% of the shares in Fischer IMF GmbH & Co. KG indirectly through Adval Tech Holding (Germany) GmbH.

Adval Tech Immobilien AG, which is based in Niederwangen, Switzerland, was established in the second half of 2016, in connection with the planned restructuring of the Group's own properties in Switzerland. The aim is to integrate the operating properties into the newly established company and lease them to the production companies.

Due to the sale of the Molds segment (FOBOHA companies), the following activities have no longer been included in scope of consolidation of Adval Tech Holding AG since September 1, 2016: FOBOHA (Switzerland) AG, FOBOHA Holding GmbH, FOBOHA (Germany) GmbH, FOBOHA (US) Inc., FOBOHA (Suzhou) Co. Ltd.

For further details of the scope of consolidation, see note 4 on pages 83 to 85 of the Financial Report 2017.

The disclosures pursuant to Article 120 of the Financial Market Infrastructure Act (FINMA) are available on the SIX Swiss Exchange website via the following link: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html (Issuer: Adval Tech Holding AG).

No disclosures pursuant to Article 120 of the Financial Market Infrastructure Act (FINMA) were made in 2017. On March 25, 2017, Grapha Holding AG, Hergiswil, reported a change in its name, but no change in its ownership interest.

Shareholders holding more than 3% of the registered share capital (according to the shareholders' register or the latest published disclosure report), as recorded in the Commercial Register on December 31, 2017, are listed below.

Ownership interest (as last reported)	12/31/2017	12/31/2016
Dr. h.c. Willy Michel	23.7%	23.7%
Artemis Beteiligungen I AG, Hergiswil ¹⁾	21.2%	21.2%
Grapha Holding AG, Hergiswil ²⁾	8.8%	8.8%
J. Safra Sarasin Investment Fonds AG*	8.5%	8.5%
Hansruedi Bienz	7.5%	7.5%
Einfache Gesellschaft Dreier ³⁾	3.5%	3.5%

Beneficial owners:

1) Michael Pieper

2) Rudolf B. Müller, London, Great Britain

3) Hans Dreier, Rudolf Dreier

* Effective amount of holding as at December 31, 2017 and December 31, 2016.

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

The overall structure of shareholdings at December 31, 2017, was as follows:

Number of shares	Shareholders
1 to 100	347
101 to 1,000	111
1,001 to 10,000	16
More than 10,000	10
Total	484

Capital structure

As at December 31, 2017, the share capital of Adval Tech Holding AG amounted to CHF 14.6 million, divided into 730,000 registered shares with a par value of CHF 20 each. All the shares carry the same voting and dividend rights. The share capital is fully paid up. With respect to restrictions on registration, reference is made to the section on shareholders' rights of co-determination (see pages 52 and 53).

Changes in the equity of Adval Tech Holding AG are as follows:

CHF	12/31/2017	12/31/2016	12/31/2015
Share capital	14,600,000	14,600,000	14,600,000
Legal capital reserve	66,981,141	97,424,589	97,424,589
Legal retained earnings	9,616,896	9,690,236	9,596,186
<i>General legal retained earnings</i>	<i>9,500,000</i>	<i>9,500,000</i>	<i>9,500,000</i>
Reserves for treasury shares	116,896	190,236	96,186
Voluntary retained earnings	11,167,715	10,580,926	10,674,976
Profit/loss carried forward	45,189,668	-47,777,122	-18,814,905
Profit/loss for the year	-5,139,626	92,933,990	-28,962,217
Total shareholders' equity	142,415,794	177,452,619	84,518,629

There were no changes in capital in 2015, 2016 and 2017.

As at December 31, 2017, there was no authorized or conditional capital, nor were any participation or dividend-right certificates, convertible bonds or options in issue. The shareholders' register is maintained by Computershare Schweiz AG, Baslerstrasse 90, 4600 Olten, on behalf of Adval Tech Holding AG.

Board of Directors

On December 31, 2017 the Board of Directors of Adval Tech Holding AG was composed of the following members:

- **Willy Michel (Chairman)**, born 1947, Swiss; Dr. h.c.; holder of a professional qualification as a pharmaceutical consultant with a federal diploma. General Manager of Novo-Nordisk Switzerland (1978–1984). As cofounder, Michel was Chairman of the Board and General Manager of Disetronic Holding AG, Burgdorf (1984–2003). Since 2003 he has been Chairman of the Board of Ypsomed Holding AG, Burgdorf (and also CEO from 2011 to 2014). He has been a non-executive member of the Board of Directors of Adval Tech Holding AG since 2007 and Chairman of the Board since 2012. His term of office expires at the close of the Annual General Meeting for financial year 2017.
- **Hans Dreier**, born 1953, Swiss; MBA FH; executive director since 1988, Head of IT/Logistics/Legal at the Adval Tech Group, Niederwangen. He has been an executive member of the Board of Directors of Adval Tech Holding AG since 1988 and was elected until the close of the Annual General Meeting for financial year 2017. Further information on his professional career can be found under “Group Executive Management” on page 51.
- **Roland Waibel**, born 1958, Swiss; PhD; various executive positions at the Lonza Group, Basel, including Group Controller, CFO and Senior Vice President, Corporate Development (1989–2006), CFO of the Omya Group, Oftringen (2006–2013), CFO of the Archroma Group, Reinach (since 2013); member of the Board of Directors of Adval Tech Holding AG since 2005, non-executive, elected until the close of the Annual General Meeting for financial year 2017.
- **Christian Mäder**, born 1969, Swiss; Swiss certified expert in accounting and controlling. Since 2015, CFO and member of the executive committee of Artemis Group as well as member of the Board of Directors of Franke Group. From 2000 until 2015 various finance and management positions at Swisslog Group, as of 2005 CFO and member of the Group Executive Committee. Previously: various management and finance positions at companies, including KPMG and Colenco (Motor-Columbus Group). Member of the Board of Directors of Adval Tech Holding AG since May 2017, non-executive, elected until the close of the Annual General Meeting for financial year 2017.

Willy Michel is Chairman of the Board of Directors of Ypsomed Holding AG, Burgdorf. He is also Vice Chairman of the Board of Directors of BV Holding AG, Bern (Chairman from 2001 until 2008). On December, 31, 2017, he held two mandates at exchange-listed companies and exercised three mandates at unlisted legal entities. He was a member of the Burgdorf municipal council for three years. He also owns several companies that have built a reputation in the art, hospitality and watchmaking industries. In 2007 Dr. Michel founded Finox AG, specializing in fertility therapies. This company was sold to a third party in July 2016. After receiving the Master Entrepreneur prize from Ernst & Young in 2005, he was awarded an honorary doctorate by the University of Bern Faculty of Economic and Social Sciences in 2006. The Swiss Association for Internal and Integrated Communication (SIVIK) awarded Dr. Michel its 2014 Communicator of the Year (COTY) Award.

Roland Waibel is a member of the Board of Directors of the unlisted company M. Dohmen S.A., San Vittore, Switzerland. In his capacity as CFO of the Archroma Group, he also serves on the boards of various Group companies both in Switzerland and abroad. He holds one mandate in an unlisted legal entity.

Christian Mäder is Chairman of Kraftwerk Europe AG, Mönchaltdorf (Switzerland), member of the Board of Directors of Franke Holding AG, member of the Board of Directors of O. Kleiner AG, Wohlen (Switzerland), member of the Board of Directors of Ciron S.A., Zurich (Switzerland), member of the Board of Directors of Sant'Isidoro S.R.L., Firenze (Italy). None of these companies is exchange-listed. He therefore holds five mandates in unlisted legal entities outside the Adval Tech Group.

None of the non-executive members of the Board of Directors was employed by the Adval Tech Group in an operational or consultative capacity in the past three years. As at December 31, 2017 the members of the Board of Directors were not active on any other management or supervisory body of significant Swiss or foreign corporations, institutions or foundations under private or public law than the above mentioned, nor do they hold any important political offices.

Changes on the Board of Directors in 2017

Michael Pieper was a non-executive member and Vice Chairman of the Board of Directors of Adval Tech Holding AG from 2004 until the end of the Annual General Meeting for the 2016 financial year. He did not stand for re-election at the Annual General Meeting on May 18, 2017. For further information on Michael Pieper's career and mandates, please refer to the Adval Tech Annual Report 2016, pages 42 and 43. Christian Mäder was elected as a new member of the Board of Directors at the Annual General Meeting of May 18, 2017.

Under Article 30 of the Company's Articles of Incorporation as at May 21, 2015, members of the Board of Directors may hold at most five mandates at exchange-listed companies and ten mandates at unlisted legal entities. Mandates in enterprises directly or indirectly controlled by the Company, mandates assumed at the Company's instruction and mandates in clubs, charitable organizations, foundations, trusts and pension funds are exempted from these restrictions. Further, mandates in multiple legal entities under joint control are treated as a single mandate. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Number of mandates as at December 31, 2017 (outside the Adval Tech Group)¹

Number of mandates	Public companies	Unlisted legal entities
Restriction under Articles of Incorporation	5	10
Willy Michel	2	3
Roland Waibel	0	1
Christian Mäder	0	5

¹⁾ See the Group Executive Management section, page 51 for information on the number of Hans Dreier's mandates.

No business was undertaken with related parties in 2017 (see note 38 in the Financial Report). As at December 31, 2017 the company had neither receivables from nor liabilities to related parties. In the previous year, turnover of CHF 1.1 million was generated with related parties and there were receivables of CHF 0.3 million as at December 31, 2016. The turnover, receivables and payables in the previous year mainly resulted from transactions with entities related to Chairman of the Board of Directors Willy Michel. The other members of the Board of Directors have no substantial business relations with the Company or its Group companies. All Adval Tech Group business relations with related parties are described and quantified in note 38 in the Financial Report on pages 108 and 109.

According to the Articles of Incorporation of Adval Tech Holding AG, the Board of Directors has at least three members. Subject to Art. 707 para. 3 of the Swiss Code of Obligations, only shareholders of the Company may be elected as members of the Board of Directors. The Chairman and other members of the Board of Directors are elected individually each year by the Annual General Meeting. The term of office of each member of the Board of Directors expires upon conclusion of the next Annual General Meeting. Members are eligible for re-election. The Company's Articles of Incorporation dated May 21, 2015 and the Organizational Rules dated March 23, 2017 do not contain any provisions stipulating an age limit for members of the Board of Directors. Adval Tech Holding AG's Articles of Incorporation and Organizational Rules are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules.

The following elections were held at the Annual General Meeting of May 18, 2017:

- Willy Michel, Hans Dreier and Roland Waibel were individually re-elected as members of the Board of Directors for a term of one year, lapsing at the close of the next Annual General Meeting.
- Christian Mäder was elected to the Board of Directors for the first time as successor to Michael Pieper for a term of one year until the end of the next Annual General Meeting.
- Willy Michel was re-elected as Chairman of the Board of Directors in a separate election for the period ending at the close of the next Annual General Meeting.
- The Board members Willy Michel and Roland Waibel, and the newly elected member of the Board of Directors, Christian Mäder, were (re-)elected individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting.
- The law and notary firm of Muntwyler von May Notare in Bern und Ittigen was appointed independent proxy for the period ending at the close of the next Annual General Meeting.
- PricewaterhouseCoopers AG, Bern, was reappointed as statutory auditor for financial year 2017.

Subject to the powers reserved to the Annual General Meeting (members of the Board of Directors, election of the Chairman of the Board and members of the Compensation Committee), the Board of Directors constitutes itself and appoints a Secretary, who need not be a member of the Board of Directors.

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 performs the following duties: specifying the framework of the mission statement, strategic focus and objectives as well as medium-term planning and the annual budget for the Group Executive Management; defining the Group organization; appointing and dismissing the CEO and other members of the Group Executive Management; ensuring operational management of the Group; drawing up the Annual Report; approving the budget and medium-term planning; preparing the Annual General Meeting. The Board of Directors executes the motions adopted by the Annual General Meeting and supervises the practical realization of the mission statement and the implementation of the strategy as well as the course of business. It also oversees finance and accounting matters, periodically conducts risk evaluations and approves material transactions.

In addition to the non-assignable duties stipulated by law, the Board of Directors has reserved for itself decision-making authority for the following transactions: acquisition and sale of investment holdings, conclusion of license and cooperation agreements, development and closure of sites, restructuring measures, tendering of sureties and guarantees, appointing and dismissing members of the Group Executive Management, entry into significant and/or long-term contracts with customers or suppliers, initiation of significant investments or divestments, and amendments to accounting standards and principles above and beyond adjustments to the standard applied.

The Board of Directors can delegate the preparation, execution and supervision of its duties to committees or individual directors. It has formed an Audit Committee and a Nomination and Compensation Committee for this purpose. The duties, competencies and responsibilities of the Board of Directors and the board committees are stipulated in the Organizational Rules of Adval Tech Holding AG (direct link: www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules).

The duties and competencies of the Audit Committee are listed in paragraph 5 of the Organizational Rules. The composition of the Audit Committee is as follows: Roland Waibel (Chairman) and Hans Dreier. The duties of the Nomination and Compensation Committee are set out in Section 6 of the Organizational Rules. The Nomination and Compensation Committee is made up exclusively of non-executive members of the Board of Directors: Willy Michel (Chairman), Christian Mäder and Roland Waibel.

The Board of Directors meets as often as business requires, but at least four times a year (as a rule, at least once a quarter) and is presided over by the Chairman. It held four meetings during the year under review. Board meetings usually last half a working day. The Group Executive Management attended all meetings of the Board of Directors in the year under review.

The Audit Committee is responsible for reviewing the annual financial statements and other financial information. It discusses the results of audits with the external auditors, and reviews the internal control system, risk management and compliance with laws, directives and standards. At the proposal of the CFO it approves the budget for auditing fees and assesses the independence and compatibility of auditing activities with other advisory mandates. The Audit Committee submits a proposal on the election of the auditors to the Board of Directors for the attention of the Annual General Meeting. The CFO and, if necessary, the CEO usually attend the meetings in a consultative capacity. The Audit Committee usually acts in a preparatory capacity for the Board of Directors as a whole; decision-making powers lie with the Board of Directors as a whole. The Audit Committee meets as often as business requires, but at least twice a year. Three meetings were held in 2017. The CFO attended all three meetings in the year under review; the CEO attended two. The auditors also attended all three meetings in 2017. No other external advisers were called in. The meetings usually last half a working day. The audit findings can be seen in the remuneration report on pages 68 and 69, in the financial report on pages 110 to 115 for the consolidated financial statements and on pages 129 to 133 for Adval Tech Holding AG.

In accordance with the Company's Articles of Incorporation as at May 21, 2015, the Nomination and Compensation Committee is made up of at least two members of the Board of Directors. Members are elected individually by the Annual General Meeting for a term lasting until the conclusion of the next Annual General Meeting. Members may be re-elected. Following election of the members of the Nomination and Compensation Committee, the Board of Directors designates the Chairman of the Committee, which otherwise constitutes itself. The Nomination and Compensation Committee conducts personnel planning at the Board of Directors and Group Executive Management level, in particular by setting criteria for candidate searches and preparing the selection, and by performing succession planning and support. It assesses the performance of the Group Executive Management members, reporting to the Board of Directors, and

determines the basic salaries and bonuses of the Group Executive Management based on a fixed formula. The Nomination and Compensation Committee assesses the compensation of the Group Executive Management once a year and, where appropriate, submits recommendations for potential adjustments to the Board of Directors. The Nomination and Compensation Committee proposes the compensation of the Chairman and other members of the Board of Directors. The Nomination and Compensation Committee meets as frequently as business requires but at least once a year, upon invitation by the Chairman. It held one meeting in 2017. As a rule, the CEO attends meetings in an advisory capacity; in 2017 he did not attend the meeting. No external advisers were called in. The meetings usually last between one and two hours. As a rule, the Nomination and Compensation Committee acts in a preparatory capacity for the full Board of Directors, providing timely reports on the results of its activities. It presents the requisite proposals to the Board of Directors in the person of the Chairman; decision-making authority lies with the full Board of Directors or the Annual General Meeting. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Composition of the Board of Directors and the Committees and number of meetings held in 2017

Full Board of Directors ¹			Audit Committee ¹		Nomination and Compensation Committee ²	
Name	Position	Meetings attended	Position	Meetings attended	Position	Meetings attended
Dr. h. c. Willy Michel	Chairman	4			Chair	1
Michael Pieper	Vice Chairman ³⁾	1				
Hans Dreier	Member	4	Member	3		
Christian Mäder	Member ⁴⁾	3			Member	1
Dr. Roland Waibel	Member	4	Chair	3	Member	1
Total meetings		4		3		1

1) The CEO attended four meetings of the full Board of Directors and two meetings of the Audit Committee. The CFO attended four meetings of the Board of Directors and all three meetings of the Audit Committee. The Head of Corporate HR/Communication attended four meetings of the Board of Directors.

2) Neither the CEO, nor the CFO, nor the Head of Corporate HR/Communication attended the meeting of the Nomination and Compensation Committee.

3) Vice Chairman until May 18, 2017

4) Member since May 18, 2017

Information and control instruments in relation to the Group Executive Management

The Board of Directors informs itself by means of a detailed monthly report in writing regarding the course of business in the Group, the degree to which objectives have been achieved and the action foreseen for this purpose.

The monthly report contains details of the current performance of the key Group companies and the Group as a whole (key figures from the income statement – such as turnover, income and operating earnings – and the balance sheet – working capital, debt, liquidity and details on investment spending – supplemented by a comment from the CEO and CFO, and the status of key projects and significant developments in the markets. The Board of Directors receives information about the status of strategic projects at its meetings. If needed, it obtains information about the company's performance, special events and the status of key projects outside the framework of regular reports and meetings.

The written reports are supplemented with detailed comments by the CEO and other members of Executive Management at the respective meetings of the Board of Directors, where open issues and queries can be addressed and answered. Proposals and reports are submitted in writing to the Board of Directors in good time prior to the meeting. The Board of Directors informs itself regularly, at least once a year, regarding the Group's business risks and assesses these. As part of the risk assessment process, the likelihood of occurrence of risks and the potential damage are considered. The company uses both quantitative and qualitative methods for this. These are uniform throughout the Group to ensure that risks can be compared across business units. A risk assessment is made on the basis of the results of the likelihood of occurrence and expected impact of each risk. The management of financial risks is described in detail in Note 2 on pages 81 and 82 of the Financial Report and cooperation with the auditors is described on pages 54 and 55 of this Corporate Governance Report.

Internal control system

The Adval Tech Group's internal control system (ICS) is implemented at company level at significant Group entities. The processes required to be covered by the ICS, their definitions and the documentation of the ICS are stipulated centrally by the Group. An internal control system has been in operation at significant Group entities for some time; since 2009, its design and application have been coordinated Group-wide. The Board of Directors receives regular reports on the design and development of the internal control system, generally once a year. The existence of the ICS is reviewed annually by the auditors. The auditors submitted one written report on the results of their review of the ICS to the Board of Directors during the reporting period. The findings of that audit are outlined in the auditor's report on pages 115 and 133 of the Annual Report.

Within the internal control system, ten processes have been defined as finance-related. These are subdivided into Group-wide processes/controls and entity-level processes/controls. The Group-wide processes/controls encompass Group-level controls (such as control environment, risk assessment, information, communication), information technology and Group-wide activities (such as M&A, insurance, consolidation). At company level, key risks and key controls are defined for the following processes and continually monitored: turnover and accounts receivable, purchasing and accounts payable, inventories and projects, personnel, tangible fixed assets, treasury and cash management, provisions and preparation of financial statements.

The Adval Tech Group does not have an internal audit function. The Board of Directors of Adval Tech Holding AG has not created a separate internal audit function due to the Group structure and the design of the internal control system. The Board of Directors has delegated the management of the operating business with regard to achieving the strategic objectives and fulfilling the medium-term plans and budgets to the Group Executive 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 (www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules).

Group Executive Management

The executive management team of the Adval Tech Group (Group Executive Management) consisted of four members as at December 31, 2017:

- **René Rothen**, born 1959, Swiss; with Adval Tech since 2007; Chief Executive Officer; Grad. Eng. HTL. Career: Head of Product Development, machine tool manufacturing at EWAG AG, Etziken (1983–1993), various executive positions at Saia-Burgess in Murten (1993–2006), including Head of Operations, Switzerland and Hungary, and finally also as CEO of a subsidiary in the US. Joined Adval Tech as Head of the Automotive Division in 2007, member of the Group Executive Management since 2007, CEO of the Adval Tech Group since August 1, 2012.
- **Hans Dreier**, born 1953, Swiss; at Adval Tech since 1982; Head of IT/Logistics/Legal; MBA FH. Career: project manager, then systems manager at Honeywell Bull, Düsseldorf, Germany (1980–1982); joined Styner+Bienz as Head of Information Technology, as of 1984 Head of Sales and Marketing at Styner+Bienz, since 1997 member of the Group Executive Management in his current position. Member of the Board of Directors of Adval Tech Holding AG since 1988; see page 45.
- **Markus Reber**, born 1963, Swiss; with Adval Tech since 2002, Chief Financial Officer; Exec. MBA FH. Career: controller and CIO at ABB-MMD Robotics AG, Deitingen (1989–1992), Commercial Manager of ABB Fläkt AG, Lucerne (1993), Head of Finance and Administration in the Repair unit of Swisscom AG, Bern (1993–1997), Head of Finance and Controlling in the Service and Repair unit of Swisscom AG, Bern (1997–2000), Head of Finance and Central Services at the Feusi Bildungszentrum, Bern (2000–2002). Joined Adval Tech as Group Controller, CFO and member of the Group Executive Management since January 1, 2007.
- **Valeria Poretti-Rezzonico**, born 1961, Swiss; with Adval Tech since 2008; Head of Corporate HR/Communication; AMP Harvard Business School; Career: Head of the Secretariat of the General Management of Danzas Transporte Italy/Ticino, Milan/Ciasso (1988–1996), various positions at Saia-Burgess, Murten (1996–2006) including Head of Investor Relations, Corporate Communication & Marketing. Joined Adval Tech as Head of Corporate HR/Communication, member of the Group Executive Management since May 1, 2012.

The provisions of the Articles of Incorporation concerning mandates outside Adval Tech Holding AG stipulate that members of the Group Executive Management may assume no more than two mandates at exchange-listed and five mandates at unlisted legal entities. See also <http://www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules>. For further details on mandates, please see the notes on the Board of Directors on page 45 of this Corporate Governance Report.

Members of the Group Executive Management are not active on any management or supervisory body of significant Swiss or foreign corporations, institutions or foundations under private or public law outside the Adval Tech Group, nor do they hold any important political offices.

Number of mandates as at December 31, 2017 (outside the Adval Tech Group)

Number of mandates	Public companies	Unlisted legal entities
Restriction under Articles of Incorporation	2	5
René Rothen	0	0
Hans Dreier	0	0
Markus Reber	0	0
Valeria Poretti-Rezzonico	0	0

In the reporting period, there were no further management contracts between Adval Tech Holding AG or its subsidiaries, and third parties. Details of remuneration, equity holdings and loans will be presented in a separate Compensation Report on pages 59 to 67 of this Annual Report.

Changes to the Group Executive Management in 2018

Hans Dreier is leaving the Executive Management of the Adval Tech Group at the end of March 2018 as he has reached the statutory retirement age. He will continue to make his knowledge available to the company as a member of the Board of Directors. Furthermore, Hans Dreier will be available to work on projects and special assignments for the Adval Tech Group on a part-time basis, but will no longer have any management functions.

Compensation, ownership interests and loans

Full details of the compensation, ownership interests and loans to both present and former members of the governing bodies are disclosed individually in the remuneration report on pages 59 through 67. The various provisions of the Articles of Incorporation concerning compensation of members of governing bodies are set forth in Articles 20 and 26 through 29. The Company's Articles of Incorporation contain no articles regarding loans, credits and pension benefits for members of governing bodies. The Articles of Incorporation of Adval Tech Holding AG can be viewed at <http://www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/>.

Shareholders' participation rights

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 6 of the Articles of Incorporation of Adval Tech Holding AG as amended on May 21, 2015 (unchanged from the version dated June 19, 2012), purchasers of shares will not be registered with voting rights for more than 10% of the registered share capital recorded in the Commercial Register. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. See also the company's Articles of Incorporation at <http://www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/>.

At the Annual General Meeting of June 19, 2012, the shareholders approved the raising of the registration restriction from 5% to 10% along with a corresponding amendment to the Articles of Incorporation. 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. In 2006, the Board of Directors granted an exception in favor of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. There was a change of shareholders in 2014 due to the merger of Artemis Beteiligungen I AG with Artemis Beteiligungen II AG. Beneficial ownership remained unaffected by this transaction. The Board of Directors has affirmed the continued validity for Artemis Beteiligungen I AG of the exception granted to Artemis Beteiligungen II AG.

On January 30, 2007, the Board of Directors permitted an exception in favor of Willy Michel, which was granted in connection with a cooperation agreement.

Furthermore, these voting restrictions (former limit of 5%) did not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all voting rights when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Hansruedi Bienz, Einfache Gesellschaft Dreier). The exceptions granted were also applied by the Board of Directors in the 2017 reporting period.

Repeal of the registration restrictions requires the approval of at least two-thirds of voting rights represented at the Annual General Meeting. Fiduciary entries in the shareholders' register are only possible without voting rights. The Annual General Meeting adopts resolutions and conducts elections by a majority of valid share votes except where the law or the Articles of Incorporation stipulate otherwise. The provisions concerning quora in Adval Tech Holding AG's Articles of Incorporation meet the legal requirements. Art. 703 of the Swiss Code of Obligations specifies that resolutions of the Annual General Meeting must normally be taken by an absolute majority of the voting rights represented. Exceptions are the resolutions specified in Art. 704 of the Swiss Code of Obligations, which require at least two-thirds of the voting rights represented and the absolute majority of the par value of the shares represented: changes to the object of the company; introduction of shares with privileged voting rights; restrictions on the transferability of registered shares and the abolition of such restrictions; authorized or conditional capital increase; capital increase from own resources in return for a contribution in kind or for the purpose of acquiring assets and the granting of special benefits; restrictions or abolition of subscription rights; relocation of the company domicile; dissolution of the company.

Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Invitations to the Annual General Meeting are issued by publication in the Swiss Official Commercial Gazette no less than 20 days prior to the Annual General Meeting. Shareholders entered in the shareholders' register can also be invited in writing. Shareholders representing at least ten percent of share capital may demand the convocation of an Extraordinary General Meeting in writing, indicating the agenda items and resolutions to be taken up. Shareholders representing shares with a par value of not less than CHF 1 million can request the inclusion on the agenda of items for discussion. Such requests must be submitted to the Board of Directors before the General Meeting, indicating the matter to be discussed and the precise proposal. Provisions of law concerning deadlines and the date of record apply. There are no regulations differing from the Swiss Code of Obligations regarding the convening of a General Meeting. Shareholders with voting rights who are entered in the shareholders' register at least 14 days prior to the Annual General Meeting are entitled to vote at the meeting. The anticipated deadline for registration before the Annual General Meeting on May 17, 2018 is tentatively set for May 7, 2018.

Shareholders who have sold shares prior to the Annual General Meeting are not entitled to vote in respect of the shares sold. The provisions of the Articles of Incorporation governing attendance at the AGM comply with the Swiss Code of Obligations.

Independent proxy

Under the Company's Articles of Incorporation as dated May 21, 2015, the Annual General Meeting elects the independent proxy each year. If a legal entity or association is elected, such entity or association, in consultation with the Chairman, determines the individual who will represent the independent proxy at the Annual General Meeting with a written authorization. If the Company has no independent proxy, the Board of Directors appoints the independent proxy for the next Annual General Meeting. The independent proxy's term of office ends upon adjournment of the next Annual General Meeting. The independent proxy is eligible for re-election. Dismissal by the Annual General Meeting is effective at the end of that Annual General Meeting.

Proxy authorizations and instructions may only be issued for the upcoming Annual General Meeting. Shareholders may give the independent proxy both written and electronic authorizations and instructions. All of a shareholder's shares must be represented by the same party. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

The Board of Directors is responsible for adopting the rules for conveying instructions for representation at the Annual General Meeting by the independent proxy. In particular, it may set the requirements for a valid instruction to the independent proxy.

At the Annual General Meeting on May 18, 2017, legal firm Muntwyler von May Notare, of Bern and Ittigen, was re-elected as independent proxy for the period up to the end of the next Annual General Meeting. Muntwyler von May Notare is an independent legal firm.

For the upcoming Annual General Meeting of May 17, 2018, the Board of Directors will ensure that Adval Tech Holding AG shareholders have the option of submitting their authorization and instructions to the independent proxy electronically. Details on submitting an electronic authorization and instructions to the independent proxy will be explained in the invitation to the next Annual General Meeting. The Company allows shareholders to send their voting instructions for Annual General Meetings to the independent proxy in electronic form using the eComm platform (www.ecomm-portal.ch). The procedures for registration and voting using this platform are sent to shareholders recorded in the share register together with the invitation to the Annual General Meeting.

Changes of control and defense mechanisms

The Articles of Incorporation of Adval Tech Holding AG include no provisions for "opting-out" or "opting-up" upon reaching the legal value threshold. The contracts of employment with directors and officers and other members of management holding key posts in the company do not contain any change of control clauses. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Statutory auditors

Revisuisse PricewaterhouseCoopers, the legal predecessor of PricewaterhouseCoopers AG in Bern, was elected as Adval Tech Holding AG's statutory auditor for the first time in 1991. The Annual General Meeting elects the auditors for a period of one year. PricewaterhouseCoopers AG, Bern, was reappointed for financial year 2017 by the Annual General Meeting of May 18, 2017. The lead auditor is Hanspeter Gerber (from the 2010 Annual General Meeting until the end of the 2017 Annual General Meeting). Oliver Kuntze took over as lead auditor as of the Annual General Meeting in 2017.

Total auditing fees invoiced by PricewaterhouseCoopers AG in 2017 came to CHF 322,000 (previous year: CHF 355,000).

The following fees were also paid to PricewaterhouseCoopers AG in 2017:

Additional fees (CHF)	2017	2016
Tax consulting	162,000	88,000
M&A activities/cooperation projects	51,000	54,000
Total fees	213,000	142,000

The auditors report their audit findings in an extensive written report to the Board of Directors and the Audit Committee at least twice a year (once per half-year). The significant findings and recommendations in the auditors' reports are discussed in detail with the Audit Committee and, when necessary, with the Board of Directors as a whole and the Group Executive Management.

The auditors attended all three meetings of the Audit Committee in 2017 in order to explain the results of their audit. A detailed management report was drawn up by the auditors on each occasion to summarize the results of the interim audit and the audit of the annual financial statements; this served as the basis for explanations to the Audit Committee and the Board of Directors as a whole. The Audit Committee reviews the audit concept annually and stipulates the audit schedule after consultation with the auditors and the Chairman of the Board of Directors, and defines the fee framework. The committee also periodically reviews the independence of the auditors (their personal independence and that of the auditing firm), the provision of the relevant resources by the auditors, practical recommendations for the implementation of the Swiss GAAP FER guidelines, the auditors' understanding of the business units and the company's specific business risks, cooperation with the Audit Committee and the Group Executive Management, and the compatibility of the audit mandate with any other consulting contracts. Consulting contracts awarded to the auditors for more than CHF 0.1 million per contract must be approved by the Audit Committee before being awarded. For the year under review, the Audit Committee and the Board of Directors as a whole have concluded that the independence of the auditors is fully guaranteed.

As regards rotation of the lead auditor, the Board of Directors complies with the legal requirements of the Swiss Code of Obligations, i.e. the lead auditor is replaced every seven years in the process of rotation.

Information policy

Adval Tech attaches great importance to pursuing an open information policy and maintaining contacts with investors, financial analysts, business journalists and other interested parties. These target groups can contact CEO René Rothen, CFO Markus Reber and the Head of Corporate Communication, Valeria Poretti-Rezzonico, directly. Adval Tech publishes its results in an Annual Report and a Semi-annual Report, and also in press releases. A press conference and a presentation to financial analysts are also held to explain the annual results. The Annual and Semi-annual Reports can be accessed on the Adval Tech Group's website or can be ordered from the company in printed form.

The company's official publication medium is the Swiss Official Gazette of Commerce (SOGC, www.shab.ch). Publications in connection with maintaining the listing of the registered shares on the SIX Swiss Exchange are made in conformity with the listing regulations of SIX Swiss Exchange. These can be accessed at www.six-exchange-regulation.com/de/home/regulation/issuer.html.

Detailed information regarding disclosure reports can be accessed at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html (Issuer: Adval Tech Holding AG).

Important events are announced in compliance with the ad hoc publicity requirements of SIX Swiss Exchange and made public (so-called push and pull system). Information on transactions in the Company's shares by the Board of Directors and Group Executive Management are published regularly at www.six-exchange-regulation.com/de/home/publications/management-transactions.html.

Information on transactions in the Company's shares by the Board of Directors and Group Executive Management are published regularly at www.advaltech.com.

Direct link for press releases: www.advaltech.com/en/group/media/press-releases.

Direct link for the Articles of Incorporation and Organizational Rules: www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules.

Press releases published by Adval Tech can also be ordered for delivery free of charge and promptly via an e-mail distribution service on the website or via RSS Feed. Direct link for registrations to receive ad hoc announcements: www.advaltech.com/en/group/news/newsletter.

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René Rothen

Chief Executive Officer

Markus Reber

Chief Financial Officer

Valeria Poretti-Rezzonico

Head of Corporate HR/Communication

Upcoming events

Annual General Meeting:

Thursday, May 17, 2018, Bern

Announcement of semi-annual results:

End of August 2018

REMUNERATION REPORT

This remuneration report for the 2017 financial year describes the compensation principles, the compensation system and the remuneration for the Board of Directors and Group Executive Management of Adval Tech Holding AG.

The details in this report comply with the SIX Exchange Regulation Directive on Corporate Governance, the requirements of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), which came into force on January 1, 2014, and the Swiss Code of Obligations (SCO). Unless otherwise specified, the present Corporate Governance Report refers to the balance sheet date of December 31, 2017, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 23, 2017.

Adval Tech Holding AG's Articles of Incorporation and Organizational Rules are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules.

Governance

Overall responsibility for defining the compensation principles for Adval Tech Holding AG lies with the Board of Directors. Since the 2015 Annual General Meeting, the following maximum total compensation amounts have been proposed separately for approval by the Annual General Meeting in accordance with the Company's Articles of Incorporation:

- a) The maximum total fixed compensation of the Board of Directors for the period until the next Annual General Meeting
- b) The maximum total fixed compensation for members of Group Executive Management for the financial year following the Annual General Meeting
- c) The total variable compensation of the Group Executive Management (retrospectively) for the financial year preceding the Annual General Meeting

These total amounts include all social insurance and occupational pension contributions made by the company. The General Meeting vote is binding for the total amounts approved.

According to the Company's Articles of Incorporation, the Board of Directors may submit additional or differing proposals pertaining to the same or different time periods to the Annual General Meeting for approval. Should the Annual General Meeting vote against one of the Board's proposals for approval of compensation, the Board is empowered to submit new proposals to the same Annual General Meeting or to defer voting on approval of compensation until an extraordinary General Meeting or the next Annual General Meeting. Until the fixed compensation amounts are approved by the Annual General Meeting, the Board of Directors may disburse compensation provisionally pending approval.

The Company's Articles of Incorporation stipulate the following concerning bonuses for members of the Group Executive Management: If the Annual General Meeting has approved the maximum amount of fixed compensation to be paid for the fiscal year following the Annual General Meeting, the Company may apply an additional 25% of this amount per compensation period during the relevant periods for total or partial compensation of new members of the Group Executive Management or of individuals who are promoted within the Group Executive Management.

The various provisions of the Articles of Incorporation concerning compensation of members of governing bodies are set forth in Articles 20 and 26 through 29. The Company's Articles of Incorporation contain no articles regarding loans, credits and pension benefits for members of governing bodies. Direct link to the Articles of Incorporation: <http://www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules>.

The full Board of Directors of Adval Tech Holding AG decides on the individual compensation for each separate member of the Board of Directors, the Chairman and the individual members of the Group Executive Management, and makes its decision based on proposals submitted by the Nomination and Compensation Committee. All members of the Board of Directors attend the meeting on compensation of the Board of Directors, and each member of the Board of Directors has a vote on the individual compensation packages.

In connection with the 2014 ERCO regulations, the company has formed a Nomination and Compensation Committee. This consists exclusively of non-executive members of the Board. The Annual General Meeting of May 18, 2017 elected Board members Willy Michel, Roland Waibel and the newly elected member of the Board of Directors, Christian Mäder, individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting.

More details on the Nomination and Compensation Committee can be found in the "Corporate Governance" section on pages 48 and 49 of this Annual Report.

Structural and decision-making levels for the compensation of members of governing bodies

Type of compensation	Compensation and Nomination Committee	Full Board of Directors	Annual General Meeting
Board of Directors' compensation			
Maximum total compensation for the Board of Directors for the period up to the next Ordinary General Meeting	Prepare and recommend	Propose to AGM	Approve
Individual elements of compensation for the Chairman and Board members in the preceding compensation period	Review, propose	Approve	
Group Executive Management compensation			
Maximum fixed total compensation for members of Group Executive Management for the financial year up to the next General Meeting	Recommend	Propose to AGM	Approve
Total amount of variable compensation for members of Group Executive Management for the financial year prior to the General Meeting	Recommend	Propose to AGM	Approve
Individual elements of compensation for members of Group Executive Management (basic salary and fringe benefits ¹⁾ , variable component) in the prior financial year	Review, recommend	Approve	

1) Pension fund contributions, non-cash benefits and social insurance contributions

1. COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

The remuneration for members of the Board of Directors depends on the role of the individual member (Chairman, Vice Chairman or member). The total remuneration of Board members consists of a fixed fee (approx. 80% of total remuneration), an attendance fee (approx. 10% of total remuneration) and a lump sum to cover expenses (approx. 10% of total remuneration). The Board of Directors does not receive any variable remuneration. The total remuneration of the members of the Board of Directors is disbursed in cash. The remuneration of the members of the Board of Directors is not linked to the company's targets. As a rule, the Nomination and Compensation Committee proposes the Board of Directors' compensation, their attendance fees and their lump-sum expense allowances once a year. Based on these proposals, the full Board of Directors determines the compensation at its own discretion, without involving external advisers

or specific studies. In 2017, the Chairman of the Board of Directors received a fixed fee of CHF 60,000, while the other members received a fixed fee of CHF 40,000. Since the Annual General Meeting in 2017, no member of the Board of Directors has held the function of Vice Chairman. For collaboration in the Audit Committee and in the Nomination and Compensation Committee, a fixed fee of CHF 10,000 was paid per member and committee for the 2017 financial year. The fees of the members of the Board of Directors remained unchanged compared to the previous year and have not been changed since 2004. Members of the Board also received a flat fee and a reimbursement for each meeting attended. The attendance fee and lump sum to cover expenses were paid only once per day, even if several meetings were held on the same day. The rates also remained unchanged year on year and have not been changed since 2005.

The fees are paid twice a year in arrears, normally in July for the first half of the year and in January for the second half of the previous year. Disclosure covers payments for the reporting year accrued on the basis of the actual number of meetings held.

Since 2015, the Annual General Meeting has voted on the total compensation of the Board of Directors. See details in the “Governance” section on page 59 and 60 of this remuneration report.

1.1 Remuneration of the Board of Directors for 2017 and 2016

The following tables show the compensation paid to the members of the Board of Directors for the 2017 and 2016 financial years.

Remuneration for the 2017 financial year (audited figures)

CHF	Position	Basic remuneration ¹⁾	Other remuneration ²⁾	Social insurance contributions	Total	Entertainment expenses ³⁾
Dr. h.c. Willy Michel ⁵⁾	Chairman	70,000	4,000	0	74,000	4,000
Michael Pieper ^{5 6)}	Vice Chairman (until AGM 2017)	25,000	1,000	1,157	27,157	800
Hans Dreier ⁴⁾	Member	50,000	7,000	3,700	60,700	5,600
Dr. Roland Waibel ^{4 5)}	Member	60,000	7,000	5,142	72,142	5,600
Christian Mäder ^{5 6 7)}	Member (since AGM 2017)	25,000	2,000	0	27,000	1,600
Total Board of Directors		230,000	21,000	9,999	260,999	17,600

1) Fixed fee and collaboration in committees (the fee for the Chairman of the Board of Directors was paid to Techpharma Management AG, Burgdorf.)

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

6) Michael Pieper was a member of the Board of Directors and its Vice Chairman until the Annual General Meeting on May 18, 2017. Accordingly, his basic remuneration in the above table is presented on a pro rata basis until this date. At the Annual General Meeting on May 18, 2017, Christian Mäder was elected to the Board of Directors for the first time, so his basic remuneration in the above table is presented on a pro rata basis from this date.

7) The fee was paid to Franke Management AG, Aarburg.

The Annual General Meeting of May 18, 2017, approved maximum total compensation for members of the Board of Directors for their terms up to the 2018 Annual General Meeting in the amount of CHF 320,000. Calculation of reported compensation paid to members of the Board of Directors for the 2017 financial year and amount approved by the 2017 AGM for the period up to the 2018 AGM (audited table):

CHF	Total compensation in financial year 2017	Less compensation for the period from Jan. 1, 2017 to the 2017 AGM (5 months)	Plus compensation for the period from Jan. 1, 2018 to the 2018 AGM (5 months)	Total compensation for the period from the 2017 AGM to the 2018 AGM	Maximum total compensation approved at the 2017 AGM
Total Board of Directors (4 members)	278,599	139,300	139,299	278,599	320,000

The total compensation of the Board of Directors for the 2017 financial year is within the amount approved by the Annual General Meeting. The basic remuneration and the rates for attendance fees and the lump sum expense allowance have not changed.

Remuneration for the 2016 financial year (audited figures)

CHF	Position	Basic remuneration ¹⁾	Other remuneration ²⁾	Social insurance contributions	Total	Entertainment expenses ³⁾
Dr. h.c. Willy Michel ⁵⁾	Chairman	70,000	4,000	0	74,000	4,000
Michael Pieper ⁵⁾	Vice Chairman	50,000	4,000	2,427	56,427	3,200
Hans Dreier ⁴⁾	Member	50,000	7,000	3,700	60,700	5,600
Dr. Roland Waibel ⁴⁾⁵⁾	Member	60,000	7,000	5,109	72,109	5,600
Total Board of Directors		230,000	22,000	11,236	263,236	18,400

1) Fixed fee and collaboration in committees (the fee for the Chairman of the Board of Directors was paid to Techpharma Management AG, Burgdorf.)

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

The Annual General Meeting of May 19, 2016 approved maximum total compensation for members of the Board of Directors for their terms up to the 2017 Annual General Meeting in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2016 financial year and amount approved by the 2016 AGM for the period up to the 2017 AGM (audited table):

CHF	Total compensation in financial year 2016	Less compensation for the period from Jan. 1, 2016 to the 2016 AGM (5 months)	Plus compensation for the period from Jan. 1, 2017 to the 2017 AGM (5 months)	Total compensation for the period from the 2016 AGM to the 2017 AGM	Maximum total compensation approved at the 2016 AGM
Total Board of Directors (4 members)	281,636	144,418	144,418	281,636	320,000

The total compensation of the Board of Directors for the 2016 financial year is within the amount approved by the Annual General Meeting.

The Board of Directors will propose to the Annual General Meeting of May 17, 2018 total compensation for members of the Board of Directors for one term of office (the period from the 2018 AGM to the 2019 AGM) in the amount of CHF 320,000 (2017 AGM to 2018 AGM: CHF 320,000).

2. REMUNERATION OF MEMBERS OF THE GROUP EXECUTIVE MANAGEMENT

The total compensation of members of the Group Executive Management consists of a fixed component and a variable, performance-related component.

The fixed component consists of a basic salary paid in cash, commensurate with the responsibility assumed, and fringe benefits (company car, lump sum to cover expenses). The amount of the performance-based variable components is based on predetermined financial targets.

The performance-based variable component may be paid in cash, as a combination of cash and shares, or wholly in the form of restricted Company shares. If all or part of the variable compensation is paid in the form of Company shares, the Board of Directors establishes the key factors for determining the value of the shares, such as the date and method of valuation and the length of the associated vesting periods.

No industry-specific benchmarks, external studies or advisers were used to establish compensation for members of the Group Executive Management either in the 2017 financial year or in the previous year. The members of the Group Executive Management do not attend the part of the meeting of the Board of Directors in which compensation is discussed.

2.1 Compensation system for Group Executive Management in the 2017 financial year

The compensation system for the Group Executive Board in 2017 was unchanged from 2016. As in the 2016 financial year, the Board of Directors set two targets for determining variable compensation for Group Executive Management members:

- a) Operating profit before interest and taxes (EBIT), and
- b) Inventories as a fixed percentage of the Group's total income.

No additional individual targets were set in either the 2017 or the 2016 financial year.

2.2 Fixed component of total compensation

The basic salary (the fixed component of total compensation) and benefits (company car and expenses) for Group Executive Management members are based on the individual members' positions (CEO, CFO, head of IT/Logistics/Legal and head of Corporate HR/Communication) and their qualifications and career experience. The basic salary and benefits are reviewed annually by the Board of Directors on the basis of a proposal made by the Nomination and Compensation Committee and fixed at the Board's discretion. Where applicable, the basic salary and benefits are adjusted for the following year on the basis of the proposal made by the Nomination and Compensation Committee.

2.3 Variable performance-based component of total compensation

The Nomination and Compensation Committee proposes a target figure for the variable component – the target bonus – to the Board of Directors once a year. The definitive variable, performance-based component is established by the full Board of Directors when an assessment of target attainment is available. It is paid out in May of the following year, subject to the approval of the Annual General Meeting.

In 2017 the CEO's target bonus was 56% and that of the other Group Executive Management members was 43% of their basic salary (previous year: 56% for the CEO and 45% for the other members).

To determine the actual bonus, the degree of attainment of the following two financial targets in the 2017 reporting period was established:

- The Adval Tech Group's actual absolute EBIT compared to the budget, with a weighting of 75% in the total bonus. If the actual figure is below 75% of the budget target, the bonus component is zero. If target attainment is above 75% the bonus is calculated proportionately. 100% target attainment corresponds to the target bonus component for EBIT. If target attainment is 150% or higher, the bonus is limited to 200% of the target bonus.
- Actual improvement in inventories as a percentage of total income compared to the predetermined target figure for inventories as a percentage of total income, each figure measured in percentage points, with a weighting of 25% in the total bonus. 100% target attainment represents achieving the specified target figure for inventories as a percentage of total income (measured in percentage points). Any improvement in this indicator (provided the improvement over the target is greater than 0 percentage points) is used as the basis for a proportionate calculation on a linear basis of the bonus component. If an improvement of three percentage points compared to the predetermined figure is achieved, the bonus element is limited to 200% of the target bonus.

Bonus structure and weighting of targets, 2017 reporting period

Criterion	Definition	Weighting	Target attainment		
EBIT	Absolute actual EBIT vs. budgeted EBIT	75%	Minimum 75% If below, no bonus	100% Equal to target bonus	150% Maximum (cap) of 200% of target bonus
Improvement in inventories	Actual improvement in inventories as % of total income vs. predetermined target figure (in % points)	25%	Predetermined target (in %) missed or precisely met No bonus	Predetermined target (in %) exceeded by 1.5 % points Equal to target bonus	Target (in %) exceeded by ≥ 3.0 % points Maximum (cap) of 200% of target bonus

The bonus structure for the 2017 financial year was unchanged from the previous year. In general, a portion (as a rule no less than 20%, no more than 100%) of the variable remuneration of Group Executive Management is paid out in shares. The number of shares granted is based on the average price of the registered shares in February of the year following the financial year. The shares granted as variable compensation vest in five years. The cost of variable remuneration in cash and shares is recognized on an accrual basis. The variable remuneration component can range from zero to 112% of the fixed component.

Members of the Group Executive Management will receive 78.9% of the variable component for the 2017 financial year in cash (CHF 552,689) and 21.1% in shares (CHF 147,984). The corresponding figures for 2016 were 79.3% cash (CHF 623,596) and 20.7% in shares (CHF 162,855).

Subject to approval of the Annual General Meeting 2018, for the year under review, the ratio of variable compensation to base compensation is 71% for the CEO and 55% for the other members of the Group Executive Management (previous year: 80% for the CEO and 64% or above for other members).

2.4 Compensation paid to the Group Executive Management for the 2017 and 2016 financial years (audited figures)

The following table shows the fixed and variable compensation and total compensation paid to the Group Executive Management for 2017 and 2016.

CHF	2017	2016		
	Group Management (4 members)	Of which highest single compensation payment ¹⁾	Group Management (4 members)	Of which highest single compensation payment ¹⁾
Basic remuneration in cash	1,170,000	360,000	1,134,000	360,000
Other fixed remuneration in cash ²⁾	61,026	9,319	36,657	7,685
Other fixed remuneration in cash	353,313	106,181	335,239	103,587
Total fixed remuneration	1,584,339	475,500	1,505,896	471,273
Variable remuneration in cash	552,689	202,753	623,596	227,563
Share-based remuneration ³⁾	147,984	54,332	162,855	59,925
Total variable remuneration	700,673	257,085	786,451	287,488
Total management remuneration⁴⁾	2,285,012	732,585	2,292,347	758,761
Entertainment expenses	64,800	18,000	64,800	18,000

1) CEO René Rothen

2) Company cars, child allowances

3) Allocation of shares in Adval Tech Holding AG as described in chapter 2.3 on pages 64 and 65 and in note 23 on page 101 of the 2017 Financial Report.

4) At the request of the Nomination and Compensation Committee, when assessing attainment of the financial targets for the 2016 financial year, the Board of Directors took account of the sale of the Molds segment (FOBOHA companies) and adjusted the financial targets accordingly. The sale of the Molds segment was completed on August 31, 2016.

The total fixed compensation of CHF 1,584,339 paid to members of the Group Executive Board for the 2017 financial year was 5.2% higher than in the previous year due to an increase in basic salaries and other fixed compensation, and the related increase in social insurance contributions. The total fixed compensation for the 2017 financial year is within the maximum total fixed compensation of CHF 1,625,000 approved by the Annual General Meeting on May 19, 2016.

The Annual General Meeting on May 18, 2017, retrospectively approved the proposed variable compensation of CHF 786,451 for the members of the Group Executive Management for the 2016 fiscal year.

The total compensation for the members of the Group Executive Management for the 2017 financial year (which is contingent upon approval of their variable compensation by the 2018 Annual General Meeting) is CHF 7,335 lower than in the previous year (-0.3%). The slight increase in basic salaries and higher social insurance contributions do not fully offset the lower variable compensation (contingent upon approval by the Annual General Meeting).

Based on the results for the 2017 financial year, variable compensation of CHF 700,673 has been calculated. That is CHF 85,778 less than for the 2016 financial year. The variable compensation will be put to the 2018 Annual General Meeting for retrospective approval.

The Annual General Meeting of May 18, 2017, approved maximum fixed total compensation for members of Group Executive Management of CHF 1,675,000 for the 2018 financial year. The fixed compensation figures for 2018 and a statement of the amount actually paid compared with the amount approved by the Annual General Meeting will be included in the 2018 Compensation Report.

At the Annual General Meeting on May 17, 2018, the Board of Directors will propose that maximum total fixed compensation of CHF 1,425,000 be approved for the members of the Group Executive Management for 2019. At the same time, it will propose that total variable compensation of CHF 700,673 be approved for the members of the Group Executive Management for 2017 (see above table: Compensation paid to the Group Executive Management for the 2017 and 2016 financial years).

3. BENEFITS AND CONTRACTUAL CONDITIONS ON LEAVING THE COMPANY

Contracts of employment with the members of the Group Executive Management do not include any exceptionally long terms of notice. The employment contracts of Group Executive Management members entail a period of notice of 12 months. The contracts of employment with members of the Group Executive Management do not contain a non-compete clause for the period after their employment ends. The five-year vesting period for shares allotted as part of the variable remuneration is not cancelled when members of the Group Executive Management step down. Contracts of employment with directors and officers and other members of management holding key posts in the company do not contain any change of control clauses.

4. SHARE OWNERSHIP

As at December 31, 2017, the individual members of the Board of Directors and Group Executive Management (including associated persons) held the following numbers of shares in the company (audited figures):

Name	Position	12/31/2017 (Number)	12/31/2016 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	172,687	172,687
Michael Pieper	Vice Chairman of the Board (until AGM 2017)	156,686	156,686
Hans Dreier	Member of the Board of Directors, head of IT/Logistics/Legal	13,347	13,457
Dr. Roland Waibel	Member of the Board of Directors	200	200
Christian Mäder	Member of the Board of Directors (since AGM 2017)	–	–
René Rothen	CEO	1,112	957
Markus Reber	CFO	527	493
Valeria Poretti-Rezzonico	Head of Corporate HR/Communication	521	440

The increase in shareholdings of the Group Executive Management is due to the shares granted in 2017 as part of the variable renumeration. In addition, individual members of the Group Executive Management sold shares in 2017, following expiration of the lock-up period.

**5. OTHER COMPENSATION, LOANS AND ADVANCES TO DIRECTORS
AND OFFICERS OR ASSOCIATED PERSONS**

The company did not grant any other remuneration, loans or credit to directors and officers or associated persons, either in the 2017 financial year or in the previous year.

6. COMPENSATION FOR FORMER DIRECTORS AND OFFICERS

No compensation was paid to former members of governing bodies in the 2017 financial year or in the previous year.



Report of the statutory auditor to the General Meeting of Adval Tech Holding AG Niederwangen b. Bern

We have audited the remuneration report of Adval Tech Holding AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 59 to 67 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**Opinion**

In our opinion, the remuneration report of Adval Tech Holding AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A blue ink signature of the name "Oliver Kuntze".

Oliver Kuntze
Audit expert
Auditor in charge

A blue ink signature of the name "Yvonne Jost".

Yvonne Jost
Audit expert

Bern, 22 March 2018



**FINANCIAL REPORT OF THE
ADVAL TECH GROUP FOR 2017**

CONSOLIDATED BALANCE SHEET

CHF 1,000	Notes	12/31/2017	12/31/2016
Liquid assets	5	18,084	53,871
Trade accounts receivable	6	31,354	28,761
Other receivables	7, 37	4,861	6,024
Advance payments to suppliers		421	7,641
Inventories and work in progress	8	34,714	23,210
Fixed assets held for sale	9	6,492	0
Prepaid expenses and accrued income	10	639	1,414
Total current assets		96,565	120,921
Tangible fixed assets	11	66,302	60,329
Financial assets	12	3,498	4,865
Intangible assets	13	4,846	5,745
Assets from employer's contribution reserves	28	0	267
Deferred tax assets	22	1,721	1,427
Total fixed assets		76,367	72,633
Total assets		172,932	193,554
Trade accounts payable	14	19,835	14,961
Short-term interest-bearing liabilities	15, 16, 20	1,137	1,550
Other short-term liabilities	16, 37	12,559	16,509
Prepaid income and accrued expenses	18	13,227	15,352
Short-term provisions	21	4,491	4,567
Accrued current income taxes		435	867
Total short-term liabilities		51,684	53,806
Long-term interest-bearing liabilities	17, 19, 20	1,304	1,655
Long-term provisions	21	2,503	4,680
Deferred tax liabilities	22	152	181
Total long-term liabilities		3,959	6,516
Total liabilities		55,643	60,322
Share capital	23	14,600	14,600
Capital reserves		100,595	130,525
Treasury shares		-117	-190
Goodwill offset		-61,406	-61,598
Translation differences		2,239	-2,704
Retained earnings/accumulated losses		61,378	52,599
Total shareholders' equity		117,289	133,232
Total liabilities and shareholders' equity		172,932	193,554

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

CONSOLIDATED INCOME STATEMENT

CHF 1,000	Notes	2017	2016
Net sales from goods and services		162,157	186,871
Income from manufacturing orders (valued using the percentage-of-completion method)		38,171	45,043
Net turnover	24, 34	200,328	231,914
Change in inventories of semi-finished and finished goods		1,460	-11,042
Own work capitalized		59	478
Other operating income	25	6,021	5,742
Total income		207,868	227,092
Cost of materials and services	26	-101,038	-99,196
Personnel expenses	27, 28	-63,408	-75,559
Other operating expenses	29	-24,221	-29,959
Operating expenses		-188,667	-204,714
Operating earnings before depreciation (EBITDA)		19,201	22,378
Depreciation on tangible fixed assets	11	-7,591	-12,501
Amortization on intangible fixed assets	13	-923	-1,547
Depreciation		-8,514	-14,048
Operating earnings (EBIT)		10,687	8,330
Financial income	30	3,355	2,992
Financial expenses	30	-3,020	-5,647
Net financial income		335	-2,655
Ordinary result		11,022	5,675
Extraordinary result	31	-1,426	34,687
Non-operating result		0	0
Net result before income taxes		9,596	40,362
Income taxes	22, 32	-849	-617
Net result after income taxes		8,747	39,745
Net result after income taxes per share (CHF)¹⁾	33	11.98	54.45

1) There is no dilutive effect

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

SHAREHOLDERS' EQUITY

CHF 1,000	Share capital	Capital reserves	Treasury shares	Share of goodwill offset	Translation difference	Retained earnings/accum. losses	Total shareholders' equity
at January 1, 2016	14,600	146,809	-96	-53,695	-10,103	-32,904	64,611
Net result after income taxes	0	0	0	0	0	39,745	39,745
Translation differences	0	0	0	0	3,091	0	3,091
Increase/decrease in share capital	0	0	0	0	0	0	0
Changes from sales of investments	0	-16,284	0	5,115	4,308	45,758	38,897
Changes from purchases of investments	0	0	0	-13,018	0	0	-13,018
Dividends	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Purchase/sale of treasury shares	0	0	-94	0	0	0	-94
at December 31, 2016	14,600	130,525	-190	-61,598	-2,704	52,599	133,232
Net result after income taxes	0	0	0	0	0	8,747	8,747
Translation differences	0	0	0	0	4,943	0	4,943
Increase/decrease in share capital	0	0	0	0	0	0	0
Changes from sales of investments	0	0	0	0	0	0	0
Changes from purchases of investments	0	0	0	192	0	0	192
Dividends	0	0	0	0	0	-29,898	-29,898
Transfers	0	-29,930	0	0	0	29,930	0
Purchase/sale of treasury shares	0	0	73	0	0	0	73
at December 31, 2017	14,600	100,595	-117	-61,406	2,239	61,378	117,289

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

CONSOLIDATED CASH FLOW STATEMENT

CHF 1,000	Notes	2017	2016
Net result after income taxes		8,747	39,745
Scheduled depreciation on tangible fixed assets	11	7,591	12,501
Impairment of tangible fixed assets	11	0	8,572
Scheduled amortization on intangible assets	13	923	1,547
Impairment of intangible assets	13	0	2,410
Increase (+) / decrease (-) in long-term and short-term provisions	21	-2,248	4,647
Increase (+) / decrease (-) in provision for deferred income taxes (net position)	22	-314	-1,134
Gain (-) / loss (+) on sales of tangible fixed assets		-176	-26
Other transactions with no impact on liquidity		433	-55,334
<i>Cash flow from operating activities before change in net current assets</i>		<i>14,956</i>	<i>12,928</i>
Increase (-) / decrease (+) in receivables		5,040	-8,523
Increase (-) / decrease (+) in inventories		-14,575	9,597
Increase (-) / decrease (+) in prepaid expenses and accrued income		6,685	-12,937
Increase (+) / decrease (-) in trade accounts payable		2,395	-2,044
Increase (+) / decrease (-) in other short-term liabilities, prepaid income and accrued expenses		-11	15,955
Cash flow from operating activities		14,490	14,976
Capital expenditure	11	-17,405	-7,579
Income from sales of tangible fixed assets	11	281	382
Investments in financial assets	12	-1	-235
Income from sales of financial assets	12	0	0
Investments in intangible assets	13	0	0
Income from sales of intangible assets	13	0	0
Net cash outflow from investments in financial assets		-2,507	-14,589
Net cash inflow from divestments of financial assets		57	117,603
Cash used for investing activities		-19,575	95,582
Free cash flow		-5,085	110,558
Dividend paid		-29,898	0
Purchase (-) / sale (+) of treasury shares		-91	-218
Increase (+) / decrease (-) in short-term interest-bearing liabilities	15	-507	-21,921
Increase (+) / decrease (-) in long-term interest-bearing liabilities	19	-470	-50,984
Cash flow from financing activities		-30,966	-73,123
Translation differences		264	446
Changes in liquid assets		-35,787	37,881
Liquid assets on December 31		18,084	53,871
Liquid assets on January 1		53,871	15,990
Changes in liquid assets		-35,787	37,881

The attached explanatory notes are an integral part of the consolidated annual financial statements of the Adval Tech Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

1.1 Principles of preparing the financial statements

The consolidated financial statements are based on the financial statements drawn up by the individual Group companies in accordance with uniform principles at the balance sheet date.

They have been prepared in conformity with the full regulatory framework of Swiss GAAP FER, as issued by the Foundation for Accounting & Reporting Recommendations. The consolidated financial statements provide a true and fair view of the company's financial position, results of operations and cash flows.

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. This does not apply to derivative financial instruments, which are stated in the balance sheet at market value. Assets and liabilities are valued individually.

Preparing the consolidated financial statements in conformity with the applicable reporting standards calls for estimates and assumptions to be made which influence the figures stated for assets and liabilities as well as contingent claims and liabilities at the balance sheet date and income and expenses in the period under review. Actual results can differ from these estimates. Items including substantial estimates are inventories (analysis of turnover, PoC method), tangible fixed assets (useful lives), intangible assets (useful lives, impairment calculations), assets and liabilities from the acquisition and disposal of business entities (purchase price adjustments that had not been finalized by the reporting date), provisions and deferred taxes (recognition for tax loss carryforwards).

1.2 Consolidation principles

Capital consolidation is performed according to the purchase method.

Subsidiaries and investment holdings are included in the scope of consolidation from the date of acquisition, change of control or incorporation. On that date, assets and liabilities are valued using the principles of the Adval Tech Group based on Swiss GAAP FER. Transaction costs are added to the purchase price. Any positive difference between the purchase price and the shareholders' equity of the acquired company after revaluation (goodwill) is offset against the Group's shareholders' equity on the date of acquisition. Any negative capital offsetting difference (negative goodwill) is added to shareholders' equity on the date of acquisition. Conditional future payments are included in the purchase price on the date of acquisition and regularly reappraised thereafter. Companies are included in the consolidation according to the following methods:

- Companies in which Adval Tech Holding AG holds a direct or indirect voting interest of **more than 50%** and/or 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 offset. Intragroup profits or losses on intercompany deliveries are eliminated via the income statement.
- Associated companies over which the Group exercises significant influence, but neither controls nor manages, are included in the consolidated financial statements using the equity method. This is usually the case with investments in which Adval Tech holds an interest of **20% to 50%**. The share of profits and shareholders' equity attributable to the Adval Tech Group is then included.
- Investments over which Adval Tech exercises no significant influence, usually interests of **less than 20%**, are included in the balance sheet at purchase prices less any value adjustment.

- Group companies remain within the scope of consolidation until the date of sale, transfer of control or liquidation. Sales costs are deducted from sales proceeds. When units are sold, the attributable goodwill paid when they were purchased will, if offset against equity at the time of purchase, be re-capitalized and subsequently offset against the sales proceeds less net assets sold and transaction costs. Future proceeds from the sale of investments that are contingent upon specific conditions are only recognized if settlement is probable as at the reporting date and they can be reliably estimated.

The companies included in the scope of consolidation and the exchange rates applied are listed in Note 4 to the consolidated financial statements.

In the process of preparing the Annual Report, the accounting principles were reviewed and clarified as required. This resulted in amendments to sections 1.2 (Valuation of minority interests) and 1.11 (Treatment of intangible assets). These amendments had no impact on the presentation of the Adval Tech Group's financial or earnings position.

1.3 Foreign currency translation

The consolidated financial statements are drawn up in Swiss francs (CHF), the reporting currency of the Adval Tech Group. The items included in the financial statements of the individual Group companies are stated in the currency of the economic region in which the company primarily operates (functional currency).

The Group applies the following principles in respect of *foreign currency translation*:

- The balance sheets of companies which do not prepare their financial statements in the Group's reporting currency are translated at year-end exchange rates and their 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 by the parent company for long-term financing of investments are posted directly to shareholders' equity if the loan was granted in the book currency of the lender or the borrower.

1.4 Derivative financial instruments

Derivative financial instruments are always stated at market value. Adjustments to market value are made via the income statement or in certain cases with no impact on income (hedge accounting).

1.5 Liquid assets

Liquid assets include cash, credit balances on postal and bank accounts as well as time deposits maturing within 90 days and marketable, short-term cash deposits as well as readily realizable securities which can be converted into liquid funds at any time. Bank accounts with negative balances are included in current liabilities.

1.6 Receivables

This item includes trade accounts receivable and other short-term receivables. The latter also include time deposits maturing in more than 90 days and up to one year and that portion of long-term assets maturing within one year.

Receivables of more than CHF 10,000 are depreciated individually. The depreciation requirement is based on estimates, empirical evidence and the age structure of the receivables, bankruptcy filings already known of, legal proceedings as well as political effects. In the case of receivables valued at less than CHF 10,000 which have been not depreciated individually, the credit risk is accounted for according to the following age classification:

Receivable overdue for	Valuation allowance
90 to 180 days	50%
181 to 360 days	75%
more than 360 days	100%

1.7 Inventories and work in progress

Inventories and work in progress are stated at the lower of acquisition/manufacturing cost or realizable value. Costs are calculated using the weighted average-price method. Manufacturing costs include direct personnel expenses and cost of materials as well as the relevant share of overheads. Discounts are regarded as reductions in the cost of acquisition. Inventory risks are identified by means of coverage analyses and individual observation, and provisions are made accordingly. Long-term orders are stated according to the percentage-of-completion method (PoC method). Income and costs are taken into account according to the degree of completion. The degree of completion is calculated by establishing the ratio of the costs incurred for the services rendered up to the relevant balance sheet date to the costs expected for the order as a whole.

Orders for which advance payments made by customers are less than the value of work in progress are included in the balance sheet as net assets in the work in progress item. If advance payments for an order are larger than the value of the work performed, the corresponding net liability is stated as advance payments by customers.

1.8 Assets held for sale

Long-term assets whose book value is realized essentially by their sale, usually within one year, rather than by further operational utilization, are stated separately as a short-term item in the consolidated balance sheet. They are stated at the lower of book value or disposal value less cost of disposal.

1.9 Tangible 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. Interior finishing of the buildings and their equipment are amortized over 8 to 15 years. For plant and machinery we apply a useful life of 5 to 15 years, for especially long-lived machinery up to 25 years. For workshop, storage and office equipment included in "Other tangible fixed assets" and for vehicles and IT hardware and software we assume a useful life of 3 to 15 years. Leased fixed assets are amortized over the planned duration of the project. Repair and maintenance expenses are charged to income. Extensive equipment overhauls are only capitalized if they result in measurable capital appreciation in the form of

higher performance or a longer useful life. Interest expenses arising during the erection of the plant are debited to income.

1.10 Financial assets

Financial assets consist of investment holdings consolidated using the equity method, other investments, securities that are by nature long-term investments and long-term loans to third or related parties. They are valued at acquisition cost less any value adjustment. This also includes receivables under finance leases. The Adval Tech Group concludes finance lease agreements with its customers in the course of its operating business. These agreements are concluded for the tools, molds and equipment used for serial component manufacture. They are recognized at their net present value on the relevant reporting date less any impairment. Income from accrued interest on receivables is recognized as interest income. Any gain on the manufacture of operating equipment is recognized in the income statement when the equipment is put into operation; provisions are recognized for any loss when the loss becomes foreseeable.

1.11 Intangible assets

Acquired patents, licenses and trademarks are valued at acquisition or manufacturing cost if their earnings potential can be reliably estimated and if the other applicable criteria of Swiss GAAP FER 10 are fulfilled.

Research costs are recognized in the income statement. Expenditure on in-house development projects is capitalized as development costs at manufacturing cost or the maximum realizable value of their benefits and amortized over the expected useful life up to a maximum of 10 years, if their earnings potential can be reliably estimated.

1.12 Leasing of capital goods

Capital goods financed by long-term leasing contracts (finance leases) are capitalized and amortized over their useful life. The corresponding leasing commitments are recognized under current or non-current liabilities at their present value.

1.13 Impairment of assets

If there is evidence of impairment of assets, their realizable value is estimated. Impairments are posted to income if the carrying value of an asset is higher than its realizable value; this is the higher of the net disposal value and the value in use of an asset which corresponds to the net present value of the estimated future cash flow.

1.14 Liabilities

Trade accounts payable, prepaid income as well as current and non-current financial liabilities are valued at ongoing acquisition values.

Trade accounts payable and other liabilities are regarded as short-term if they mature in less than one year. This item also includes that portion of long-term liabilities that is due for repayment within one year.

1.15 Provisions

Warranties, risks, impending losses and restructuring costs are included in provisions. These provisions relate exclusively to transactions originating in the past. The size of the provisions reflects the probable future outflow of funds which can be reliably estimated. Provisions are stated at net present value if the related outflow of funds is expected to occur more than one year after the balance sheet date and the influence on the result is material. Net present values are adjusted via financial expenses.

1.16 Pensions, payments to employees

Various pension plans exist within the Adval Tech Group, governed by local conditions in the countries concerned. They are financed either by contributions to legally independent pension providers (foundations, insurers), by contributions to state pension schemes in the context of the legal framework in the country concerned or by the creation of reserves for pension liabilities. An annual assessment is made as to whether a financial benefit or a financial liability exists from the standpoint of the Group. A corresponding sum is stated in the balance sheet. The expenses for the period correspond to the contributions by the employer and the change in the financial benefit or financial liability.

Provisions are made for further benefit claims by employees, such as claims to long-service bonuses, on the basis of conditions of employment.

1.17 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 valuation of assets and liabilities using uniform principles on January 1, 1996, is posted to capital reserves. The change in reporting standards from commercial law to Swiss GAAP FER, combined with a revaluation of assets, was made on this date. The share premium arising from increases in share capital and from income from the purchase or sale of treasury stock are also included here.
- Retained earnings include all gains and losses generated by the Group itself since January 1, 1996, and not distributed, together with goodwill offset against shareholders' equity.

1.18 Income recognition

Income is recognized when it is certain that the financial benefit associated with the transaction will accrue to the company and can be reliably estimated. Income from sales of goods is deemed to be realized when use and risk pass to the customer. Revenues arising from manufacturing orders valued using the percentage-of-completion method are included according to the progress of the work. The percentage of completion is calculated using the cost-to-complete method. Discounts granted are regarded as sales deductions.

Net turnover therefore comprises income from manufacturing orders (valued using the percentage-of-completion method) and net sales from goods and services.

1.19 Income taxes

Current income taxes are calculated on the taxable profits of the individual companies in conformity with local tax legislation and allocated to the period in which they accrue.

Temporary valuation differences arise due to differing valuations of assets and liabilities in the individual financial statements drawn up for taxation purposes and the consolidated financial statements. Deferred income tax is calculated on all temporary valuation differences at current or future tax rates, if these are foreseeable.

Accumulated losses which can be utilized for tax purposes are only stated as deferred tax assets if a tax benefit from an offset of the loss is probable.

1.20 Relationships with related parties

Relationships with related individuals and companies are recorded separately and disclosed if material. Individuals and companies having a special interest in the development of the Adval Tech Group and/or in a position to influence the business activities of the Adval Tech Group directly or indirectly are deemed to be related parties. In particular, major shareholders, Group pension funds and members of the Board of Directors and Group Executive Management are deemed to be related parties. Organizations directly or indirectly controlled by related parties are also deemed to be related parties.

1.21 Share-based payment

A part (no less than 20%, no more than 100%) of the variable remuneration of the Group Executive Management and other members of management is disbursed in shares. The number of shares allotted is calculated on the basis of the average price of the registered shares in February of the year following the financial year. The cost of variable remuneration in cash and shares is recognized as personnel expenses for the period in question. The shares allotted as variable remuneration cannot be sold for 5 years.

2. FINANCIAL RISK MANAGEMENT**2.1 Financial risks**

The Adval Tech Group is exposed to various financial risks in the context of its business activities, such as currency risks, interest rate risks, credit risks and liquidity risks. It seeks through systematic management to minimize any adverse effects of the related fluctuations on its financial results.

The Group's financial risk management is conducted centrally by the Group Finance Department in close cooperation with the finance departments of the segments and companies. For its financial risk management, the Group occasionally utilizes derivative financial instruments.

2.2 Interest rate risk

There are no material interest-bearing assets, so income and cash flow from operations remain unaffected by changes in market interest rates.

The Group utilizes mainly variable interest-bearing credits in Swiss francs for external financing; these entail a cash flow interest rate risk. Derivative financial instruments are utilized in some cases to hedge cash flow interest rate risks.

2.3 Credit risk

Credit risks can arise on liquid assets, credit balances with financial institutions and receivables from customers. Liquid assets and credit balances with financial institutions are for the most part invested with banks having a credit rating of at least A. Local banks are sometimes also used due to prevailing local conditions at subsidiaries.

Credit risks are minimized by continuous monitoring of overdue payments from counterparties and by verifying the creditworthiness of new business partners. Any necessary provisions are made or released continuously against income. These activities are primarily pursued at the local level.

Due to the differences in business models and customer structures, no generally valid credit limits for the Group as a whole are applied. Depending on transaction and customer, credit risks can be hedged by means of letters of credit or bank guarantees.

2.4 Currency risks

The Adval Tech Group is exposed to currency risks by virtue of its international activities. The currency risk is reduced primarily by direct offsetting of payments flows in foreign currencies. Derivative financial instruments are utilized on a case-by-case basis to reduce exchange risks further. The utilization of these hedging instruments is coordinated centrally.

In principle, only risks arising from the operating activities are hedged.

2.5 Liquidity risk

The Adval Tech Group monitors the liquidity risk by means of prudent liquidity management. Available liquidity and compliance with financial covenants under the syndicated loan agreement are continuously monitored at Group level.

3. SUBTOTALS ON THE INCOME STATEMENT AND CASH FLOW STATEMENT

The Adval Tech Group uses subtotals in its financial report that are not defined in Swiss GAAP FER. These figures are used to enhance the information value of the income statement and cash flow statement. The following subtotals are used:

3.1 Income statement

Total income	Net turnover, plus or minus change in inventories of finished and semi-finished goods, plus capitalized internally produced assets, plus other operating income.
EBITDA	Total income less cost of goods sold and outsourced services, payroll and other operating expenses.
EBIT	EBITDA less depreciation and amortization.

3.2 Cash flow statement

Cash flow from operating activities before changes in NCA	Net result after income taxes plus depreciation and amortization plus or minus change in short-term and long-term provisions, change in provisions for deferred income taxes, gain/loss on sales of tangible fixed assets, other transactions with no impact on liquidity.
Free cash flow	Sum of cash flow from operating activities and cash flow from investing activities.

4. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

Company	Registered office	Share capital	Equity holding
Adval Tech Holding AG	Niederwangen, Switzerland	TCHF	14,600
Adval Tech Management AG	Niederwangen, Switzerland	TCHF	100
Adval Tech Immobilien AG	Niederwangen, Switzerland	TCHF	100
Adval Tech (Switzerland) AG	Niederwangen, Switzerland	TCHF	3,050
Adval Tech do Brasil Indústria de Autopeças Ltda.	São José dos Pinhais PR, Brazil	TBRL	939
Adval Tech (US) Inc.	Cleveland, OH, USA	TUSD	1
Adval Tech Holding (Germany) GmbH	Endingen, Germany	TEUR	25
Adval Tech (Germany) GmbH & Co. KG	Endingen, Germany	TEUR	1,132
Adval Tech (Germany) Verwaltungs GmbH	Endingen, Germany	TEUR	51
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TUSD	3
Adval Tech (Hungary) Kft.	Szekszárd, Hungary	TEUR	990
Adval Tech (Hungary) Plant 2 Kft.	Szekszárd, Hungary	TEUR	10
Adval Tech (Grenchen) AG	Grenchen, Switzerland	TCHF	2,000
Adval Tech Holdings (Asia) Pte. Ltd	Singapore	TUSD	13,517
Adval Tech (Thailand) Co. Ltd	Rayong, Thailand	TTHB	40,000
Adval Tech (Suzhou) Co. Ltd	Suzhou, China	TUSD	9,660
Adval Tech (Malaysia) Sdn. Bhd.	Johor, Malaysia	TUSD	505
Omni Plastics (Shanghai) Co. Ltd	Shanghai, China	TUSD	1,100
Omni Engineering Shanghai Co. Ltd	Shanghai, China	TUSD	2,800

The scope of consolidation changed as follows in the year under review:

Adval Tech (Hungary) Plant 2 Kft. was established in the first half of 2017 by spinning off the existing metal components business from Adval Tech (Hungary) Kft. All shares in the new company are held directly by Adval Tech Holding AG. From the economic point of view, this entails no change in the scope of consolidation.

Furthermore, the "Styner+Bienz" companies in Switzerland, Brazil and the USA, and the "Fischer" companies in Germany were renamed in the second half of 2017. Group membership is now directly visible in the names of all operating companies in the Group.

In the previous year, Adval Tech Holding AG acquired all shares in the following entities, either directly or indirectly:

- Adval Tech Holding (Germany) GmbH, Endingen am Kaiserstuhl: The purchase from third parties took place in connection with the acquisition of 100% of the shares in Fischer IMF GmbH & Co. KG. The purpose of the company is to acquire and sell, hold and manage equity interests and properties. Concurrently with the acquisition of the shares in Fischer IMF GmbH & Co. KG and Fischer Verwaltungs-GmbH, Adval Tech Holding (Germany) GmbH acquired the operating property of Fischer IMF GmbH & Co KG in Endingen, which it rents out to Fischer IMF GmbH & Co. KG.
- Fischer IMF GmbH & Co. KG, Endingen am Kaiserstuhl: This company manufactures tools for the production of stamped and formed metal parts and produces metal components and modules, primarily for the automotive market.
- Fischer Verwaltungs-GmbH, Endingen am Kaiserstuhl: This company is the general partner in Fischer IMF GmbH & Co. KG.

As of April 1, 2016 the pro forma consolidated balance sheet values of the companies acquired were as follows:

CHF 1,000	04/01/2016
Receivables	5,668
Inventories	11,892
Prepaid expenses and accrued income	98
Current assets	17,658
Tangible fixed assets	13,505
Non-current assets	13,505
Total assets	31,163
Short-term liabilities	17,844
Prepaid income and accrued expenses	13,025
Short-term debt	30,869
Long-term debt	1,831
Liabilities	32,700
Shareholders' equity	-1,537
Total liabilities & shareholders' equity	31,163

Recognition is based on the accounting principles of the Adval Tech Group. The purchase price for the shares in Fischer IMF GmbH & Co. KG comprises a fixed and a variable portion. The variable portion depends on business performance in the period from April 1, 2016 to December 31, 2016. Further, short-term liabilities contain compensation payments to the sellers for advance financing of projects. These payments are made as soon as the projects are completed and payment for each project has been completed.

It was agreed with the sellers not to disclose the purchase price. The final talks with the sellers on determination of the variable purchase price payments had not been completed as of the date of preparation of the 2016 consolidated financial statements for the Adval Tech Group. The outstanding purchase price liabilities were therefore accounted for on the basis of a prudent estimate.

Further, Adval Tech Holding AG established Adval Tech Immobilien AG, Niederwangen, Switzerland. The purpose of this company is to hold and manage real estate. Following its establishment, this company purchased the operating property of FOBOHA (Switzerland) AG in Muri (Aargau).

In addition 100% of the shares in the following companies were sold to third parties in the previous year: FOBOHA (Switzerland) AG Muri, Switzerland, FOBOHA Holding GmbH Haslach, Germany, together with their affiliates FOBOHA (Germany) GmbH and FOBOHA US Inc., as well as FOBOHA (Suzhou) Co. Ltd (indirectly via Adval Tech Holdings (Asia) Pte.). The companies divested were included in the financial reporting as the Molds segment.

The companies divested produced plastic injection molds and systems for top performance and productivity, which were sold principally to the consumer goods market. The turnover and operating earnings of the entities divested are presented in Note 33 of the 2016 Annual Report.

As of August 31, 2016 the pro forma consolidated balance sheet data for the entities divested were as follows:

CHF 1,000	08/31/2016
Liquid assets	11,360
Receivables	15,619
Inventories	22,897
Prepaid expenses and accrued income	192
Current assets	50,068
Tangible fixed assets	16,100
Financial assets	1,716
Non-current assets	17,816
Total assets	67,884
Short-term liabilities	18,956
Prepaid income and accrued expenses	5,414
Short-term debt	24,370
Long-term debt	9,980
Liabilities	34,350
Shareholders' equity	33,534
Total liabilities & shareholders' equity	67,884

The sale took place at a fixed price of CHF 133 million based on enterprise value. It was also agreed with the sellers that a compensation payment would be made for liquid assets, financial debt and the difference between net current assets and an agreed target amount on the transaction date. On the disposal date, the provisional amount was settled on the basis of an estimate. The talks to determine the final amount to be paid for the liquid assets, financial debt and net current assets had not been finalized by the reporting date for the 2016 consolidated annual financial statements. The settlement amount was accrued in the balance sheet as of December 31, 2016 on the basis of a prudent estimate.

At the time of preparing the 2017 consolidated financial statements, negotiations were underway regarding guarantee claims of the purchasers and payment of the purchase price retention for guarantees agreed in the purchase contract.

Exchange rates

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

	On Dec. 31, 2017	Average in 2017	On Dec. 31, 2016	Average in 2016
BRL	0.29607	0.30865	0.31328	0.28395
CNY	0.14999	0.14568	0.14737	0.14832
EUR	1.17056	1.11134	1.07177	1.09010
HKD	0.12549	0.12636	0.13217	0.12690
THB	0.02994	0.02902	0.02847	0.02792
USD	0.98085	0.98459	1.02522	0.98500

5. LIQUID ASSETS

Liquid assets include:

CHF 1,000	12/31/2017	12/31/2016
Cash	13	16
Postal account	11	5
Banks	17,964	43,024
Fixed-term deposits	96	10,718
Short-term deposits	0	108
Total liquid assets	18,084	53,871

The short-term deposits comprise call money with a maximum maturity of 30 days.

6. TRADE ACCOUNTS RECEIVABLE

CHF 1,000	12/31/2017	12/31/2016
Total trade receivables (gross)	31,710	29,173
Impairment charges (allowance for doubtful receivables)	-356	-412
Total trade receivables (net)	31,354	28,761
of which: trade receivables from third parties	31,354	28,755
of which: trade receivables from related parties	0	6

CHF 6.8 million of receivables was overdue on the balance sheet date (previous year: CHF 4.4 million), of which CHF 2.6 million by more than 30 days (previous year: CHF 1.4 million).

In the past three years losses on receivables have been in the region of 0.0% of total income. Provisions for receivables are as follows:

CHF 1,000	2017	2016
Total on January 1	-412	-946
Provision made	-42	-46
Utilized	0	5
Released	95	251
Changes in the scope of consolidation	0	332
Currency translation differences	3	-8
Total on December 31	-356	-412

7. OTHER RECEIVABLES

CHF 1,000	12/31/2017	12/31/2016
Positive fair values of derivative financial instruments	2	0
Other current receivables, third parties	4,859	5,719
Other current receivables, related parties	0	305
Total other receivables	4,861	6,024

8. INVENTORIES AND WORK IN PROGRESS

CHF 1,000	12/31/2017	12/31/2016
Trading goods	449	878
Raw material	8,528	5,769
Semi-finished and finished goods	17,597	15,917
Work in progress long-term orders	14,069	8,996
Work in progress other orders	4,284	2,248
Provisions	-10,213	-10,598
Total inventories and work in progress	34,714	23,210

Total inventories and work in progress includes CHF 1.0 million stated at net realizable value (previous year: CHF 1.0 million).

Long-term orders valued according to the PoC method are as follows:

CHF 1,000	12/31/2017		12/31/2016	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term orders	17,358	-3,289	9,020	-24
Advance payments by customers	-3,289	11,828	-24	1,398
Net assets from work in progress long-term orders	14,069	0	8,996	0
Net liabilities from work in progress long-term orders	0	8,539	0	1,374

The manufacturing costs of orders valued using the percentage-of-completion method totalled CHF 14.0 million (CHF 8.0 million in 2016). The stated income was CHF 3.4 million (CHF 1.0 million in 2016). Advance payments by customers for work in progress on other orders have also been offset against inventories.

CHF 1,000	12/31/2017		12/31/2016	
	Assets	Liabilities	Assets	Liabilities
Work in progress other orders	4,284	0	2,660	-412
Advance payments by customers	0	1,326	-412	4,835
Net assets from work in progress other orders	4,284	0	2,248	0
Net liabilities from work in progress other orders	0	1,326	0	4,423

Net liabilities arising from work in progress, both long-term and other orders, are stated in the balance sheet under "Other current liabilities."

9. FIXED ASSETS HELD FOR SALE

Assets held for sale have been reclassified from tangible fixed assets or financial assets to current assets. As at the balance sheet date, this affected:

- Factory and office building in Muri (Canton of Aargau) with a book value at December 31, 2017 of CHF 6.5 million

10. PREPAID EXPENSES AND ACCRUED INCOME

At CHF 0.6 million for the reporting period, prepaid expenses and accrued income are CHF 0.8 million lower than in the previous year (CHF 1.4 million). This drop is largely attributable to Hungary and Switzerland.

11. TANGIBLE FIXED ASSETS

The development of the Group's tangible fixed assets is shown in the following summary:

	Land	Buildings	Production equipment and machinery	Other tangible assets	Leased equipment	Installations under construction	Total
CHF 1,000							
at cost							
at January 1, 2016	4,666	64,145	145,534	33,742	7,330	1,972	257,389
Changes in the scope of consolidation	-267	-3,632	-48,761	-13,621	0	0	-66,281
Capital expenditure	700	452	3,988	1,725	1,205	77	8,147
Disposals	0	-4,055	-7,571	-1,595	-71	-208	-13,500
Other changes/transfers	-4	-1,607	-18,806	-2,180	-441	0	-23,038
Change in accum. translation difference	-18	-6	1,552	262	11	50	1,851
at December 31, 2016	5,077	55,297	75,936	18,333	8,034	1,891	164,568
Changes in the scope of consolidation	0	0	0	0	0	0	0
Capital expenditure	0	11,590	2,360	938	431	2,260	17,578
Disposals	0	0	-4,447	-2,225	0	0	-6,672
Other changes/transfers	0	0	176	28	0	0	204
Change in accum. translation difference	129	1,672	1,301	276	90	177	3,645
at December 31, 2017	5,206	68,559	75,326	17,350	8,555	4,328	179,324
Accumulated depreciation							
at January 1, 2016	0	-36,088	-110,137	-28,273	-6,742	0	-181,240
Changes in the scope of consolidation	0	4,722	46,778	12,214	0	0	63,714
Scheduled depreciation	0	-2,589	-7,599	-1,967	-346	0	-12,501
Impairment	0	-3,896	-3,592	-1,084	0	0	-8,572
Disposals	0	4,020	7,512	1,529	71	0	13,132
Other changes/transfers	0	1,608	18,904	2,085	441	0	23,038
Change in accum. translation difference	0	-102	-1,455	-221	-32	0	-1,810
at December 31, 2016	0	-32,325	-49,589	-15,717	-6,608	0	-104,239
Changes in the scope of consolidation	0	0	0	0	0	0	0
Scheduled depreciation	0	-1,638	-5,008	-746	-199	0	-7,591
Impairment	0	0	0	0	0	0	0
Disposals	0	0	4,320	2,154	0	0	6,474
Other changes/transfers	0	0	-176	-28	0	0	-204
Change in accum. translation difference	0	-130	-672	-219	52	0	-969
at December 31, 2017	0	-34,093	-51,125	-14,556	-6,755	0	-106,529
Book values							
at January 1, 2016	4,666	28,057	35,397	5,469	588	1,972	76,149
at December 31, 2016	5,077	22,972	26,347	2,616	1,426	1,891	60,329
at December 31, 2017	5,206	34,466	24,200	2,794	1,800	4,328	72,794
Of which leased installations (finance Lease)							
at January 1, 2016	0	0	1,232	0	0	0	1,232
at December 31, 2016	0	0	4,121	0	0	0	4,121
at December 31, 2017	0	0	3,807	0	0	0	3,807
Of which held for sale (book values)							
at January 1, 2016	0	0	0	0	0	0	0
at December 31, 2016	0	0	0	0	0	0	0
at December 31, 2017	2,004	4,440	48	0	0	0	6,492

The Adval Tech Group does not hold any undeveloped land. As part of its sales activities, tangible fixed assets with a book value of CHF 6.5 million were reclassified to current assets as at December 31, 2017 (previous year: CHF 0.0 million). See also Note 9.

As at December 31, 2017, there were outstanding orders worth CHF 0.02 million for assets that had not been delivered or invoiced and were therefore not yet recognized as tangible fixed assets (previous year: CHF 0.0 million).

As at December 31, 2017, assets under construction included CHF 4.0 million in advance payments for tangible fixed assets (previous year: CHF 0.1 million).

In the previous year, in connection with the sale of the Molds segment and the acquisition of Fischer IMF, the Adval Tech Group decided to restructure and refocus its components business. The reorganization principally affected the production sites in China, Thailand, Hungary and Switzerland. In the course of these restructuring projects, the value of assets was reviewed and written down where necessary. The total impairment charge calculated in this context was CHF 8.6 million and was split as follows among the main projects.

- Impairment charge of CHF 3.2 million in connection with the sale of the FOBOHA companies, primarily for a property rented by FOBOHA. The rental agreement with the tenant was terminated at short notice. This reduced the value of the property. The valuation was determined by an external appraiser.
- Impairment charges of CHF 2.6 million in connection with the closure of the Uetendorf site: The value of the tangible fixed assets at the Uetendorf site was impaired by the closure. Adval Tech assumed that any proceeds from the sale of assets would roughly cover the dismantling and disposal costs.
- Restructuring of the production site for metal components in Hungary. Production in Szekárd was relocated to a new building on the company's site that better meets requirements, and the rental agreement for the present building was terminated. The business plan put the impairment charge for the assets at CHF 1.1 million. The impairment was calculated on the basis of estimated future cash flows using the discount rate applicable for the Group.
- Restructuring of the production site for plastic components in Thailand. A major customer of the site in Thailand cancelled its orders. The site has to be restructured in the light of the reduced business volume. The business plan drawn up following cancellation of the orders resulted in an impairment of CHF 0.5 million on the tangible fixed assets.
- Closure of a production site in Suzhou at year-end 2016. The closure of one of the two production sites in Suzhou at the end of 2016 resulted in an impairment charge of CHF 0.7 million on tangible fixed assets. CHF 0.6 million of this related to production equipment. The remainder related to installations that could no longer be used.
- Impairment charge on tangible fixed assets at the production site for plastic components in Hungary. The sale of the FOBOHA companies led to a revaluation of assets used in the production of plastic components for auto manufacturers. This identified an impairment of CHF 0.5 million on tangible fixed assets at the site in Hungary. Further, an impairment charge was recognized for capitalized development work. See Note 12 in the 2016 Annual Report for further details.

12. FINANCIAL ASSETS

The Adval Tech Group concludes finance lease agreements with its customers in the context of its operating business. These agreements are concluded for tools, molds and production systems used for production of components. Amortization payments usually depend on the number of components delivered per period, with a minimum amount agreed for all amortization payments.

CHF 1,000	12/31/2017	12/31/2016
Receivables from finance lease contracts	3,156	4,532
Other long-term receivables	342	333
Total financial assets	3,498	4,865

Receivables from finance lease contracts, stated at net present value, are due for payment as follows:

CHF 1,000	12/31/2017	12/31/2016
within 1 year	2,091	1,265
in 2 to 5 years	3,156	4,583
Total future leasing income	5,247	5,848

The nominal value of these receivables totalled CHF 5.8 million (CHF 6.7 million in 2016).

The amounts due for payment within one year are included in other current receivables.

13. INTANGIBLE ASSETS

The following statement of changes in intangible assets applies for 2017:

CHF 1,000	Capitalized development costs	Others	Total
at cost			
at December 31, 2016	13,841	4,827	18,668
Changes in the scope of consolidation	0	0	0
Investments acquired	0	0	0
Investments generated in-house	0	0	0
Disposals	0	0	0
Other changes	0	0	0
Change in accumulated translation difference	113	-213	-100
at December 31, 2017	13,954	4,614	18,568
Accumulated amortization			
at December 31, 2016	-8,116	-4,807	-12,923
Changes in the scope of consolidation	0	0	0
Scheduled depreciation	-923	0	-923
Impairment	0	0	0
Disposals	0	0	0
Other changes	0	0	0
Change in accumulated translation difference	-89	213	124
at December 31, 2017	-9,128	-4,594	-13,722
Book values			
at December 31, 2016	5,725	20	5,745
at December 31, 2017	4,826	20	4,846

Capitalized development costs largely result from the development of plastic components for further projects for automotive manufacturers in Germany. These relate to long-term orders for the production of components. They will be amortized over the term of orders up to a maximum of 10 years (see Note 1.11).

The following statement of changes in intangible assets applies for 2016:

CHF 1,000	Capitalized development costs	Others	Total
at cost			
at December 31, 2015	14,568	6,583	21,151
Changes in the scope of consolidation	-218	-327	-545
Investments acquired	0	0	0
Investments generated in-house	0	0	0
Disposals	-500	0	-500
Other changes	0	-1,599	-1,599
Change in accumulated translation difference	-9	170	161
at December 31, 2016	13,841	4,827	18,668
Accumulated amortization			
at December 31, 2015	-5,460	-5,991	-11,451
Changes in the scope of consolidation	218	327	545
Scheduled depreciation	-1,262	-285	-1,547
Impairment	-2,124	-286	-2,410
Disposals	500	0	500
Other changes	0	1,599	1,599
Change in accumulated translation difference	12	-171	-159
at December 31, 2016	-8,116	-4,807	-12,923
Book values			
at December 31, 2015	9,108	592	9,700
at December 31, 2016	5,725	20	5,745

In the previous year, in connection with the sale of the Molds segment and the acquisition of Fischer IMF, the Adval Tech Group decided to restructure and refocus its components business. The reorganization principally affected the production sites in China, Thailand, Hungary and Switzerland. In the course of these restructuring projects, the value of assets was reviewed and written down where necessary. The impairment charges totalled CHF 2.4 million and comprised:

- Impairment charge of CHF 1.7 million on capitalized development costs for the business with plastic components for the automotive industry. The sale of the FOBOHA companies led to a revaluation of capitalized development costs in connection with the sale of plastic components to auto manufacturers. This resulted in an impairment of CHF 1.7 million on capitalized development costs. Further, an impairment charge was recognized for tangible fixed assets in Hungary (see Note 10 in the 2016 Annual Report). The impairment charges were calculated on the basis of the business plan, and were based on estimated future cash flows and the discount rate applicable for the Group.
- Impairment charges totaling CHF 0.4 million on capitalized development costs due to the closure of the Uetendorf site: In connection with the closure of this site, capitalized development costs were revalued. As a result they were completely written off. The impairment charges were calculated on the basis of the business plan, and were based on estimated future cash flows and the discount rate applicable for the Group.
- In connection with the sale of FOBOHA (Suzhou), the residual value of customer relationships capitalized at the date of this acquisition (CHF 0.3 million), was completely written off.

The goodwill arising from the acquisitions of Adval Tech (Grenchen) AG (June 1, 2005), Adval Tech (Hungary) Kft. (May 1, 2007), Adval Tech Holdings (Asia) Pte. Ltd (January 16, 2008) and Adval Tech (Germany) GmbH & Co. KG (formerly Fischer IMF GmbH & Co. KG) (April 1, 2016) was offset against the equity on the date of acquisition.

The historical cost of goodwill is shown in the following table:

CHF 1,000	2017	2016
Total at January 1	55,045	45,477
Additions	192	13,018
Disposals resulting from sale of investments ¹⁾	0	-5,115
Currency translation differences resulting from changes in investments	0	483
Change in the cumulative currency difference	-79	1,182
Total at December 31	55,158	55,045

1) at historical exchange rates

If goodwill were amortized over 10 years using the straight-line method rather than being offset, this would result in the following cumulative amounts of amortization for goodwill:

CHF 1,000	2017	2016
Total at January 1	-39,426	-37,009
Disposals resulting from sale of investments ¹⁾	0	4,433
Currency translation differences resulting from changes in investments	0	-629
Simulated depreciation	-4,985	-5,144
Impairment losses	-10,657	0
Change in accumulated translation difference	398	-1,077
Total at December 31	-54,670	-39,426

1) at average exchange rates

Comparison of the goodwill for one investment holding with the net present value of the future cash flows necessitated a value adjustment for one company. The present business plan of the investment holding served as the basis for calculation. The net present value calculations were also based on the current discount rate and long-term growth expectations for this investment holding.

The theoretical net book value of the goodwill amounts to:

CHF 1,000	2017	2016
Total at December 31	488	15,619

The impact of theoretical capitalization and amortization of the goodwill on the income statement and the equity is shown below:

CHF 1,000	2017	2016
Net result	8,747	39,745
Simulated depreciation / Impairment losses	-15,642	-5,144
Theoretical net result	-6,895	34,601
Equity	117,289	133,232
Theoretical value of goodwill	488	15,619
Theoretical equity	117,777	148,851

14. TRADE ACCOUNTS PAYABLE

The trade accounts payable increased by CHF 4.9 million. There were no trade accounts payable to related parties on December 31, 2017 or at the end of the previous year.

15. SHORT-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2017	12/31/2016
Banks	124	503
Short-term leasing liabilities to third parties	1,013	1,047
Short-term interest-bearing liabilities	1,137	1,550

The short-term bank loans are covered by liquid assets of CHF 18.1 million (previous year: CHF 53.9 million) (gross figures). These are current account overdrafts at interest rates based on LIBOR or EURIBOR. The short-term leasing liabilities to third parties relate to the finance leases for tangible fixed assets at European locations.

16. OTHER SHORT-TERM LIABILITIES

CHF 1,000	12/31/2017	12/31/2016
Advance payments by third parties	5,653	5,797
Advance payments by related parties	0	0
Other short-term liabilities to third parties	6,896	10,700
Other short-term liabilities to related parties	0	1
Negative replacement value of derivative instruments	10	11
Total other short-term liabilities	12,559	16,509

Advance payments by third parties have risen by CHF 4.1 million year-on-year. The drop in the other short-term liabilities to CHF 6.9 million as at December 31, 2017 (previous year: CHF 10.7 million) is mainly attributable to Germany, Brazil and China. The item also contains CHF 2.5 million in payment obligations arising from the purchase of Adval Tech (Germany) GmbH & Co. KG in 2016.

17. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	12/31/2017	12/31/2016
Face value of liabilities arising from leasing contracts due		
within 1 year	1,053	1,062
in 2 to 5 years	1,327	1,729
Total future payment commitments	2,380	2,791
less proportionate interest on the payments	-63	-89
Net present value of liabilities arising from finance leases	2,317	2,702
of which short-term leasing liabilities	1,013	1,047
of which long-term leasing liabilities	1,304	1,655

The leasing liabilities relate to leased production facilities, primarily in Germany. They were CHF 0.4 million down on the figure for December 31, 2016.

18. PREPAID INCOME AND ACCRUED EXPENSES

CHF 1,000	12/31/2017	12/31/2016
Accrued expenses	9,037	11,420
Invoices not yet received	4,190	3,932
Total prepaid income and accrued expenses	13,227	15,352

Accrued expenses include future payments for the following items: social security contributions and insurance premiums, accrued vacations and overtime, other non-interest-bearing values owed. Invoices not yet received on the balance sheet date include services received without receipt of the relevant invoice.

19. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2017	12/31/2016
Long-term leasing liabilities – third parties	1,304	1,655
Total long-term interest-bearing liabilities	1,304	1,655

At the end of September 2016 a credit line of max. CHF 25 million that can be cancelled at any time by either party was subsequently agreed with a major Swiss bank. Part of this credit line is reserved for (advance payment) guarantees; the remainder can be drawn at short notice. This credit line is subject to covenants. These covenants cover the following financial indicators: Leverage ratio and minimum equity of the Group. As at the balance sheet date, the covenants provided for in the credit agreement had all been met.

The credit agreement concluded with four banks – three in Switzerland and one in Germany – at the start of July 2014 was terminated at the end of September 2016. The loans were repaid out of the proceeds from the sale of the Molds segment. The guarantee provided by a major shareholder for this has been completely extinguished.

20. FINANCIAL LIABILITIES

Recognition principles and conditions are shown in the following tables:

	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Balance on Dec. 31, 2017				
Bank current accounts	124	TEUR 106	Current	2.00%
Lease liabilities, short-term	1,013	TEUR 689	Current	2.3%–4.0%
Lease liabilities, long-term	1,304	TEUR 1,114	1–5 years	1.1%–3.7%
Total financial liabilities	2,441			

Financial liabilities for 2016 are as follows:

	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Balance on Dec. 31, 2016				
Bank current accounts	503	TEUR 457	Current	2.00%
Lease liabilities, short-term	1,047	TEUR 717	Current	7.90%
Lease liabilities, long-term	1,655	TEUR 1,352	1–4 years	2.3%–3.9%
Total financial liabilities	3,205			

21. PROVISIONS

CHF 1,000	Warranty provisions	Payments to employees	Restructuring provisions	Other provisions	Total
Long-term provisions at December 31, 2016	308	814	2,557	1,370	5,049
Short-term provisions at December 31, 2016	640	0	1,258	2,300	4,198
Total at December 31, 2016	948	814	3,815	3,670	9,247
Change in the scope of consolidation	0	0	0	0	0
Addition	98	90	500	498	1,186
Utilization	-151	0	-998	-409	-1,558
Release of provisions no longer required	-21	-139	0	-1,716	-1,876
Difference arising from currency translation	-14	1	0	8	-5
Total at December 31, 2017	860	766	3,317	2,051	6,994
Long-term provisions at December 31, 2017	294	766	262	1,181	2,503
Short-term provisions at December 31, 2017	566	0	3,055	870	4,491
Total at December 31, 2017	860	766	3,317	2,051	6,994

Provisions for payments to employees consist primarily of future obligations in respect of anniversary bonuses. The amount of those obligations is measured using the projected unit credit method.

Provisions for restructuring include provisions of CHF 2.1 million (previous year: CHF 2.9 million) for the closure of the production site in Uetendorf. Provisions were established for the estimated net costs for present supply obligations until closure of the site and the expected costs of relocating production to other sites within the Group. Further, a provision of CHF 0.9 million (previous year: 0.6 million) was established for restructuring of the site in Thailand. The site in Thailand will be restructured and redimensioned as a result of the loss of a significant customer order. Restructuring of the site in Brazil has not yet been completed. The provisions set up for this in previous periods were stated at CHF 0.2 million on the reporting date.

Other provisions include CHF 0.8 million (previous year: CHF 2.4 million) for expected future payments in connection with the sale of the Molds segment. Further, total provisions of CHF 0.5 (previous year: CHF 0.6 million) were recognized for dismantling expenses for rented buildings and impending losses on orders. The provision for foreign withholding taxes whose refundability is doubtful amounts to CHF 0.4 million (previous year: 0.4 million). Provisions of 0.4 million (previous year: CHF 0.3 million) were recognized for other items.

In all cases for which provisions have been made, the probability of occurrence is estimated at above 50%. The provisions were not discounted.

Provisions as at the end of the previous year were as follows:

CHF 1,000	Warranty provisions	Payments to employees	Restructuring provisions	Other provisions	Total
Long-term provisions at December 31, 2015	297	1,503	221	1,181	3,202
Short-term provisions at December 31, 2015	1,208	0	0	0	1,208
Total at December 31, 2015	1,505	1,503	221	1,181	4,410
Change in the scope of consolidation	-856	-763	0	1,458	-161
Addition	584	73	4,033	2,396	7,086
Utilization	-202	-2	-493	0	-697
Release of provisions no longer required	-100	0	0	-1,391	-1,491
Difference arising from currency translation	17	3	54	26	100
Total at December 31, 2016	948	814	3,815	3,670	9,247
Long-term provisions at December 31, 2016	308	814	2,557	1,370	5,049
Short-term provisions at December 31, 2016	640	0	1,258	2,300	4,198
Total at December 31, 2016	948	814	3,815	3,670	9,247

The breakdown is explained above.

22. DEFERRED INCOME TAXES

Deferred income taxes are included in the balance sheet as follows:

CHF 1,000	12/31/2017	12/31/2016
Deferred tax liabilities	-152	-181
Deferred tax assets	1,717	1,427
Total deferred income taxes	1,565	1,246

Deferred income tax assets and liabilities are stated at the income tax rates expected for each company.

The following table shows the average tax rate and the effect of capitalized loss carryforwards on the average tax rate:

	2017	2016
Average applicable tax rate before considering loss carryforwards	15.29%	17.53%
Impact of deferred tax assets from loss carryforwards	0.87%	-7.88%
Average applicable tax rate after considering loss carryforwards	16.16%	9.65%

CHF 10.3 million in uncapitalized losses was posted in the local financial statements (2016: CHF 2.7 million). These largely stem from the investment holdings in Germany and Hungary.

Deferred tax assets arising from losses carried forward have been included on the basis of forecasts by the relevant companies. They correspond to the tax loss carryforwards that can be utilized on the basis of these forecasts until they expire.

The deferred tax assets relate primarily to capitalized tax loss carryforwards. They developed as follows:

CHF 1,000	2017	2016
Total at January 1	1,427	1,947
Change in the scope of consolidation	0	-659
Creation	642	1,059
Utilization	-355	-1,006
Other adjustments	0	0
Translation difference	7	86
Total at December 31	1,721	1,427

Provisions for deferred tax liabilities developed as follows:

CHF 1,000	2017	2016
Total at January 1	181	3,009
Change in scope of consolidation	0	-1,759
Additions	73	215
Transfers	-100	0
Release	0	-1,296
Currency translation differences	-2	12
Total at December 31	152	181

As in the previous year, deferred tax liabilities originate primarily from temporary differences in fixed and intangible assets.

Tax losses amounting to CHF 29.4 million existing on December 31, 2017 (CHF 34.8 million in 2016) have not yet been utilized and no deferred tax claim for them has been included in the balance sheet.

The expiration dates of unutilized tax loss carryforwards are as follows:

CHF 1,000	12/31/2017	12/31/2016
expiring in 1 year	932	14,337
expiring in 2 years	32	4,367
expiring in 3 years	699	519
expiring in 4 years	3,384	213
expiring in 5 years	2,409	6,008
expiring in more than 5 years	21,897	9,350
Total	29,353	34,794

23. STATEMENT OF SHARE CAPITAL

The share capital was as follows on December 31, 2017:

	Registered shares
at January 1, 2017	730,000
at December 31, 2017	730,000
fully paid up	
Par value in CHF	20
Dividend restrictions	none
Voting restrictions	exist
Number of shares held by the Adval Tech Group on December 31	507

No shares were reserved for issue in respect of options or sales agreements in the year under review. The treasury shares held are held primarily for issue to employees as part of the bonus program.

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 Art. 6 of the Articles of Incorporation of Adval Tech Holding AG dated June 19, 2012, purchasers of shares in excess of 10% 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. The Annual General Meeting of June 19, 2012 raised the voting rights restriction from 5% to 10%.

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. In 2006, the Board of Directors granted an exception in favour of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. Beneficial ownership remained unaffected by this transaction. On January 30, 2007, the Board of Directors permitted an exception in favour of Willy Michel, which was granted in connection with a cooperation agreement. Furthermore, these voting restrictions do not apply to the shareholders who were registered as holding registered shares in excess of 5% of all voting rights when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Hansruedi Bienz, Einfache Gesellschaft Dreier).

The exceptions granted were confirmed until further notice by the Board of Directors with reference to the increase in share capital in May 2008. Fiduciary entries in the shareholders' register can only be made without voting rights. The Articles of Incorporation of Adval Tech Holding AG with regard to quorums conform to legal requirements.

Holdings of treasury shares have developed as follows:

	2017	2016
Treasury shares held at January 1	800	638
Purchases (shares)	400	988
Issued to employees (shares)	-693	-826
Treasury shares held at December 31	507	800
Average purchase price (CHF)	227	221
Average value for issues (CHF)	237	151

All treasury shares are held by Adval Tech Management AG.

Under the existing remuneration policies, 693 shares were granted to management staff in the year under review as part of their variable compensation (previous year: 826 shares).

Non-distributable reserves in the Group's shareholders' equity amounted to CHF 10.2 million at the end of the year under review (CHF 10.0 million in 2016). Retained earnings do not include any revaluation reserves.

24. NET TURNOVER

CHF 1,000	2017	2016
Net income from deliveries and services	164,323	188,680
Income from manufacturing orders (valued using the percentage-of-completion method)	38,171	45,043
Revenue deductions	-2,166	-1,809
Total net turnover	200,328	231,914

Net turnover for 2017 came to CHF 200.3 million, a decrease of CHF 31.6 million. The change is largely due to the absence of the Molds segment. Sold as at the end of August 2016, this segment had accounted for CHF 45.2 million of net turnover in the 2016 income statement.

Income from manufacturing orders (valued using the percentage-of-completion method) includes invoiced income from manufacturing orders valued using the percentage-of-completion method, adjusted for changes in the inventories of such orders. Net sales from goods and services includes the other invoiced sales and services.

25. OTHER OPERATING INCOME

CHF 1,000	2017	2016
Other operating income from third parties	5,826	5,691
Other operating income from related parties	8	9
Gains from sales of tangible fixed assets	187	42
Total other operating income	6,021	5,742

Other operating income consists primarily of income from sales of scrap, income from letting premises and income from sales commissions.

26. COST OF MATERIALS AND SERVICES

The material and service expenses rose by CHF 1.8 million year on year. As a proportion of total income, they increased by 4.9 percentage points to 48.6%. This was mainly due to the sale of the Molds segment, which had featured in the income statement for eight months of the previous year and had typically entailed lower material costs.

27. PERSONNEL EXPENSES

The average number of employees decreased by 144 FTEs to 1,366 FTEs in 2017 (1,510 FTEs in 2016). The drop in average headcount is also a reflection of changes in the Group structure. The number of employees totalled 1,399 FTEs at the balance sheet date (1,341 FTEs in 2016).

28. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

As at the balance sheet date, the employers' contribution reserves are as follows:

CHF 1,000	Nominal value on 12/31/2017	Utilization waiver 12/31/2017	Balance 12/31/2017	Payment/ repayment 2017	Effect on personnel expenses 2017	Effect on financial result 2017
Pension funds excl. surplus/shortfall	0	0	1	0	-267	0

In the previous year:

CHF 1,000	Nominal value on 12/31/2016	Utilization waiver 12/31/2016	Balance 12/31/2016	Payment/ repayment 2016	Effect on personnel expenses 2016	Effect on financial result 2016
Pension funds excl. surplus/shortfall	267	0	267	0	-729	0

CHF 0.3 million was debited from personnel expenses in the year under review to finance contributions (CHF 0.7 million in 2016), while CHF 0.0 million was credited from interest (CHF 0.0 million in 2016). Interest is calculated on the employers' contribution reserves in accordance with the foundation's performance, but at no more than the rate on the savings accounts.

Financial benefit/financial obligations and pension expenses for 2017 and 2016 are as follows:

CHF 1,000	Surplus 12/31/2017	Financial share of the organization		Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period ¹⁾	Pension expenses in 2017
		12/31/2017	12/31/2016			
Pension fund of Adval Tech Holding AG incl. surplus	1,067	0	0	0	1,661	1,927
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	0	179
Total	1,067	0	0	0	1,661	2,106

1) including result from employer's contribution reserves

In the previous year:

	Surplus/ shortfall 12/31/2016	Financial share of the organization 12/31/2016 12/31/2015		Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period ¹⁾	Pension expenses in 2016
CHF 1,000						
Pension fund of Adval Tech Holding AG excl. surplus/shortfall	0	0	0	0	1,684	2,413
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	0	196
Total	0	0	0	0	1,684	2,609

1) including result from employers' contribution reserves

The above data is based on the financial statements of the pension funds at December 31, 2017 (or December 31, 2016), prepared in accordance with Swiss GAAP FER 26.

The pension fund of Adval Tech Holding AG is a legally independent foundation. It is subject to Swiss occupational pensions legislation. All employees of the Swiss companies in the Adval Tech Group are members of this pension fund. As at December 31, 2017, the cover ratio was 117% (previous year: 111%). The Adval Tech Group is not expected to derive any economic benefit from the pension fund.

The employees of non-Swiss Group companies are members of the applicable state pension schemes in the country concerned, governed by local legislation. As a consequence, neither financial benefit nor financial obligations arise therefrom, other than the contribution payments posted as expenses.

The pension fund for management of Adval Tech Holding AG was set up for supervisory staff. It is affiliated to a collective foundation of a major Swiss insurer. It is primarily a capital redemption insurance. Equal contributions are made by employees and employer.

29. OTHER OPERATING EXPENSES

CHF 1,000	2017	2016
Maintenance, repair, replacements, operating materials	-8,720	-11,554
Premises, energy	-6,408	-7,920
Insurance, office and administration expenses	-4,109	-4,925
Marketing, sales and distribution expenses	-4,262	-4,792
Sundry operating expenses	-722	-768
Total other operating expenses	-24,221	-29,959

Other operating expenses in the reporting period were down by CHF 5.7 million on the year-back figure. In relation to total income, other operating expenses declined from 13.2% in 2016 to 11.7% in the reporting period. The "Sundry operating expenses" line item also includes CHF 0.01 million in losses on the sale of tangible fixed assets (2016: CHF 0.02 million).

30. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1,000	2017	2016
Interest earned	635	702
Currency gains	2,694	2,257
Gains on derivative financial instruments	22	4
Other financial income	4	29
Total financial income	3,355	2,992
Interest paid	-224	-1,868
Bank charges and fees	-200	-220
Currency losses	-1,202	-2,595
Unrealized translation differences	-1,168	-432
Losses on derivative financial instruments	-17	-16
Other financial expenses	-209	-516
Total financial expenses	-3,020	-5,647
Financial result	335	-2,655

Total currency gains of CHF 0.3 million were posted in the year under review (previous year: loss of CHF 0.9 million).

Net interest income of CHF 0.4 million, generated by finance leases with customers, was posted in the year under review. (Previous year: net interest expense of CHF 1.2 million). The difference compared to the previous year reflects the fact that the Group has been debt-free since September 2016.

In addition to the cost of the adjustments to the credit agreements with the syndicate banks, other financial expenses also include the deferred cost of the guarantee given in the context of the syndicated loan up to its termination.

31. EXTRAORDINARY RESULT

CHF 1,000	2017	2016
Restructuring measures	-2,065	-12,142
Cooperation projects	0	127
Result from the sale of investments	639	47,259
Result from the purchase of investments	0	-557
Extraordinary result	-1,426	34,687
Non-operating result	0	0
Total extraordinary result	-1,426	34,687

The restructuring expenses posted in the year under review relate to the restructuring projects launched in 2016 at the locations in Switzerland, Germany, Hungary and Thailand. The result from the sale of investment holdings is connected with the sale of the Molds segment in the previous year. In the year under review, it was possible to release part of the provisions set up for projected payments relating to this transaction. Not all outstanding issues had been clarified by the time the consolidated financial statements were prepared.

In 2016, the extraordinary income figure of CHF 34.7 million for 2016 included the book gain from the sale of the tooling companies (Molds segment) and a repayment of CHF 0.1 million in connection with the disposal of investments in Mexico and China in 2013. Further, this item included the costs for the sale of the Molds segment and the acquisition of Adval Tech Holding (Germany), Fischer IMF GmbH & Co. KG and Fischer Verwaltungs-GmbH. In addition, extraordinary expense of CHF 12.1 million has been recorded for the costs incurred and estimated future costs for the relocation of production and closure of sites in Hungary, China, Thailand and Switzerland, which had been decided and in some cases were already initiated. In Hungary, production of metal components for the automotive industry was being restructured and relocated to a new building. In China, a production site was closed at the start of 2017. Production of the components manufactured here will either be relocated (to the site in Malaysia or the second production site in Suzhou) or returned to the customers affected. Due to the current market situation, a restructuring program was adopted and initiated for the plant in Thailand. Among other things, this will involve looking for a new site that meets the requirements of the restructured organization.

In Switzerland, Adval Tech decided to close its production site in Uetendorf by 2018. Production of the components manufactured there will be relocated to Niederwangen in Switzerland, to Endingen in Germany, or to Szekszárd, Hungary. Further, due to the sale of the Molds segment, an impairment test was conducted on various assets and they were written down where necessary. This applies above all to capitalized development costs for the OEM business, which were revalued following the sale of the Molds segment.

32. INCOME TAXES

CHF 1,000	2017	2016
Current income taxes	-1,163	-1,680
Change in provision for deferred taxes	314	1,063
Total tax expenses	-849	-617

The change in the provision for deferred taxes includes CHF 0.2 million from capitalized loss carryforwards (previous year: CHF 0.9 million).

33. NET RESULT PER SHARE

The stated figure for net result per share after corporate taxes was calculated on the basis of 730,000 outstanding shares. There are no dilution effects.

34. INCOME BY REGION

Income by region is as follows:

CHF 1,000	2017	2016
Net turnover	200,328	100%
		231,914
		100%
<i>Europe</i>	<i>144,981</i>	<i>72%</i>
- of which Switzerland	7,447	4%
- of which Germany	107,399	54%
- of which France	8,165	4%
<i>Asia</i>	<i>23,901</i>	<i>12%</i>
- of which China	13,497	7%
<i>North America</i>	<i>11,165</i>	<i>6%</i>
<i>Latin America</i>	<i>18,439</i>	<i>9%</i>
<i>Australia and Oceania</i>	<i>1,067</i>	<i>1%</i>
<i>Africa</i>	<i>775</i>	<i>0%</i>
		857
		0%

Countries are allocated to regions in conformity with the allocation in Swiss National Bank statistics. No turnover was generated with related parties in the year under review (previous year: CHF 1.1 million).

The disposal of the Molds segment in the second half of 2016 and the resulting focus on the components business obviate the need for a breakdown by business areas.

35. PLEDGED ASSETS

The carrying amount of pledged items of tangible fixed assets amounted to CHF 2.2 million as of December 31, 2017 (previous year: CHF 0.9 million). The pledge listed serves as security for bank loans and credit lines. Furthermore, it should be noted that sight deposits with banks can be used to cover loans granted at the same time in accordance with the banks' general conditions of business.

36. CONTINGENT AND FUTURE LIABILITIES

CHF 1,000	12/31/2017	12/31/2016
Contingent liabilities in favor of third parties	5,368	8,633
Liabilities arising from leases	11,517	11,608
Liabilities arising from operating leases	1,170	1,120

Contingent liabilities in favour of third parties originate from guarantees issued as security for advance payments by customers, finance lease transactions and import duties. A cash outflow is deemed unlikely. There were no sureties at the balance sheet date.

Payments deriving from operating leases fall due as follows: CHF 0.6 million (CHF 0.7 million in 2016) within 1 year, CHF 0.5 million (CHF 0.4 million in 2016) within 2 to 5 years.

Future rental payments fall due as follows: CHF 2.4 million (CHF 2.6 million in 2016) within 1 year, CHF 4.9 million (CHF 5.0 million in 2016) in 2 to 5 years, CHF 4.2 million (CHF 4.0 million in 2016) in more than 5 years.

37. FINANCIAL INSTRUMENTS

Market values are calculated on the basis of individual valuations of the outstanding instruments at the balance sheet date. The following financial instruments for limiting financial risks existed at the balance sheet date (contract values in 1,000 local-currency units, fair values in CHF 1,000) as at December 31, 2017:

Currency	Instrument	Contract value local currency 1,000	Replacement value CHF 1,000	
			positive	negative
EUR	Forward transactions / swap	1,500	1	4
USD	Forward transactions / swap	490	1	6
Total		1,990	2	10

As at the end of 2016, the currency hedges were as follows:

Currency	Instrument	Contract value local currency 1,000	Replacement value CHF 1,000	
			positive	negative
MXN	Forward transactions / swap	18,000	0	9
EUR	Forward transactions / swap	826	0	2
Total		18,826	0	11

The options and forward transactions listed above serve to hedge payments in USD, MXN and EUR. They ran until the end of January 2018 at the latest.

The negative replacement values are included in “other short-term liabilities” (Note 16). The positive replacement values in 2017 are included in “other receivables” (Note 7).

38. TRANSACTIONS WITH RELATED PARTIES

The following persons and companies were deemed to be related parties in the year under review:

- the pension fund of Adval Tech Holding AG
- Artemis Holding AG, Hergiswil, and its Group companies
- Ypsomed Holding AG, Burgdorf, and the companies of the Ypsomed Group
- Techpharma Management AG, Burgdorf
- Feintool International Holding AG, Lyss, and the companies of the Feintool Group
- Forbo Holding AG, Baar, and the companies of the Forbo Group
- Autoneum Holding AG, Winterthur, and the companies of the Autoneum Group

- Rieter Holding AG, Winterthur, and the companies of the Rieter Group
- Arbonia AG, Arbon, and the companies of the Arbonia Group
- Precious Woods Holding AG, Zug, and the companies of the Precious Woods Group
- the members of the Board of Directors and the Group Executive Management, including members who left the company in the reporting period
- Grapha Holding AG, Hergiswil, and Rudolf B. Müller
- Hansruedi Bienz, Oberbottigen

Finox AG was removed from the list of related parties as it was sold to an independent third party in the second half of 2016.

The following business transactions were material in the year under review:

No turnover was generated with related parties in the year under review (previous year: CHF 1.1 million).

As at the balance sheet date, no receivables were due from related parties (previous year: CHF 0.3 million). As at December 31, 2017 and as at December 31, 2016, there were no liabilities to related parties.

Up to termination of the credit agreement at the end of September 2016, a major shareholder, who is also a member of the Board of Directors, provided a guarantee for up to CHF 25 million of the syndicated loan credit limit of CHF 60 million (see Note 19). Within the scope of this guarantee, the Group in 2016 posted expenses for a guarantee commission of CHF 0.2 million. The guarantee obligation was extinguished as at September 30, 2016. No payments were made for guarantees in the year under review.

Business activities with related parties were primarily transacted with companies and individuals related to Willy Michel. With the exception of payments disclosed in the Remuneration Report, no material transactions took place with members of the Board of Directors or the Group Executive Management.

39. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred since the balance sheet date that would detract from the information value of the consolidated financial statements.

40. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were released on March 22, 2018 for publication by the Board of Directors of Adval Tech Holding AG and a motion for their approval was submitted to the Annual General Meeting of shareholders of Adval Tech Holding AG.



Report of the statutory auditor to the General Meeting of Adval Tech Holding AG

Niederwangen b. Bern

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Adval Tech Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 72 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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PricewaterhouseCoopers AG is a member of a global network of companies that are legally independent of one another.



Our audit approach

Overview



Overall Group materiality: CHF 960'000

We concluded full scope audit work at 6 reporting units in 4 countries.

Our audit scope addressed 71.5% of the net turnover and 74.6% of the assets of the Group.

Additionally, specified audit procedures were concluded at a further 11 Group companies which cover a further 23% of the net turnover.

A full scope audit was performed by another audit firm.

As key audit matters, the following areas of focus were identified:

- Income recognition

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion.



Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<i>Overall Group materiality</i>	CHF 960'000
<i>How we determined it</i>	0.5% of net turnover
<i>Rationale for the materiality benchmark applied</i>	We chose net turnover as the benchmark because utilisation and growth are critical for the Adval Tech Group in the current situation while it is still in a turnaround phase.

We agreed with the Audit Committee that we would report to them misstatements above CHF 96'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Income recognition

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
We consider income recognition as a key audit matter because there is a risk that the contractual- ly agreed point of time at which risks and benefits of ownership pass to the customer is not recognised correctly in the financial statements. In addition, revenues arising from manufacturing orders are highly dependent on the judgement of Management in determining the stage of completion of the order. During our audit, therefore, we focussed on the correct recognition in the financial statements of the transfer of risk and responsibility and on the key assumptions used in estimating the stage of completion of manufacturing orders. Please refer to note 1.18 (Income recognition and note 24 (Net turnover) and note 8 (Inventories	<i>Income recognition – Accrual</i> We performed the following audit procedures: <ul style="list-style-type: none">• We assessed the consistent application of the income recognition principles for the various sources of revenue and, on a sample basis, the correct recognition in the financial statements of the transfer of risk and benefits of ownership in the period before and after the balance sheet date by reference to the associated delivery notes and/or contracts.• Our work also comprised a sample-based check of manual journal entries relating to income.• Further, we obtained a sample of confirmations of accounts receivable as at the balance sheet date and we checked a sample of credit notes issued and



and work in progress) in the notes to the consolidated financial statements 2017.

returns for the period from the balance sheet date to the date of the audit.

Income recognition – Stage of completion

We performed the following audit procedures on the revenues arising from manufacturing orders:

- We assessed the design and implementation of key controls relating to the recognition of revenues from manufacturing orders and performed selected tests of the effectiveness of these controls in order to be able to rely on the controls.
- For the selected contracts, we discussed and challenged the key assumptions applied by Management and the project leaders that have a significant influence on determining the stage of completion (especially, forecasts of the project's future progress). In addition, we performed the following audit procedures:
 - We checked the business terms and conditions of the contracts
 - We assessed the forecasts of the project's future progress
 - We checked the stage of completion of the contract and the underlying key assumptions at the time of the audit
 - We discussed the project with Management and the project leaders and, on the basis of the contractual terms and conditions, we assessed whether the manufacturing orders could be completed within the agreed deadlines and, therefore, the risk of any financial penalties.
 - We looked retrospectively at completed projects to assess the reliability of statements and forecasts made by Management and the project leaders.
 - We assessed the recoverability of receivables relating to manufacturing orders on the basis of payments received after the balance sheet date or discussion with Management.

On the basis of the audit procedures described above, we addressed the risk of incorrect income recognition and the risk of incorrectly estimating the stage of completion of orders. We have no findings to report.



Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relation-



ships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

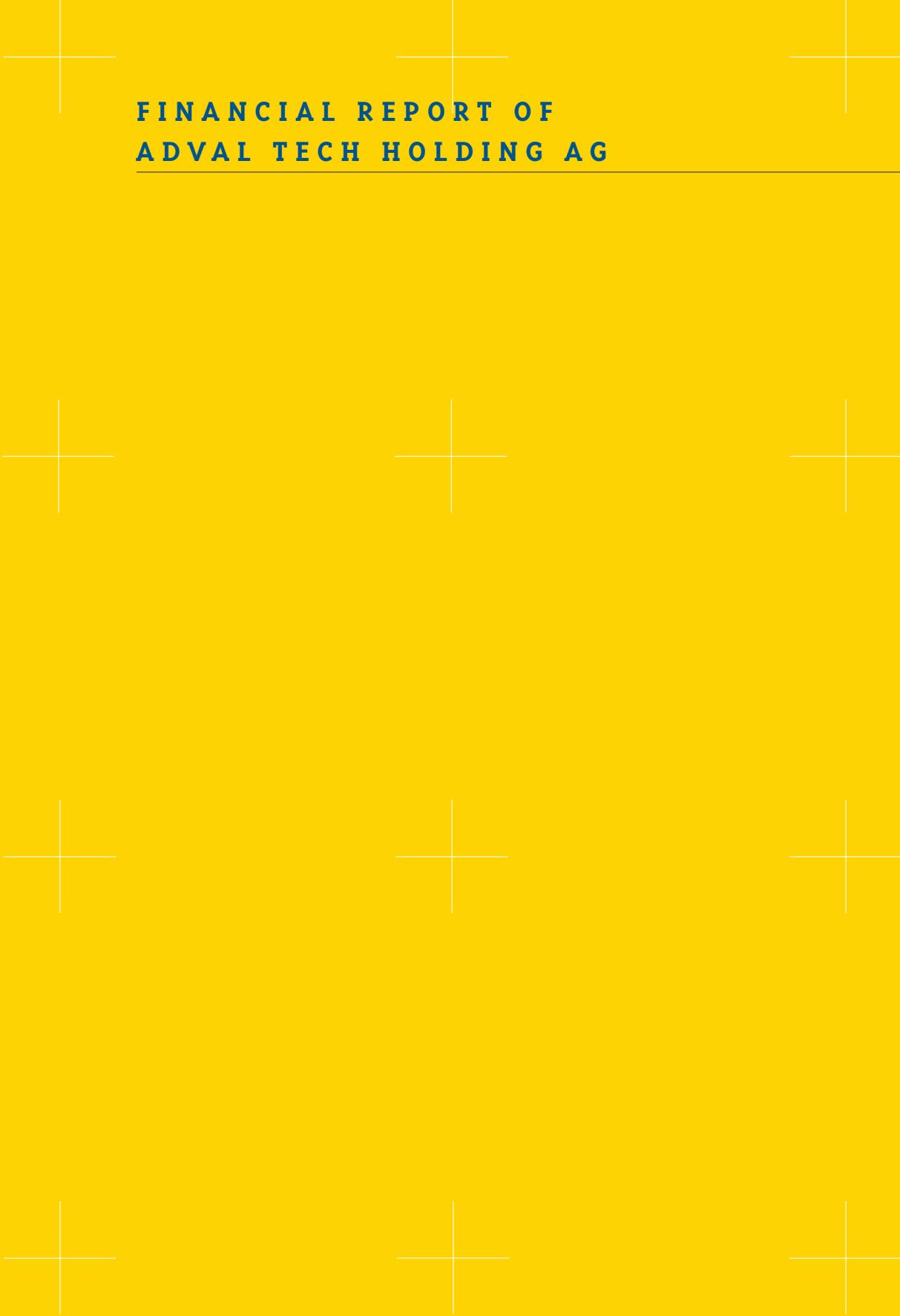
A blue ink signature of the name "Oliver Kuntze".

Oliver Kuntze
Audit expert
Auditor in charge

A blue ink signature of the name "Yvonne Jost".

Yvonne Jost
Audit expert

Bern, 22 March 2018



**FINANCIAL REPORT OF
ADVAL TECH HOLDING AG**

FINANCIAL REPORT OF ADVAL TECH HOLDING AG

1. BALANCE SHEET

CHF	Notes	12/31/2017	12/31/2016
Current assets			
Liquid assets		1,292,061	30,931,721
Trade accounts receivable		2,816,593	2,836,105
– from third parties		2,447	68,022
– from Group companies	2.1	2,814,146	2,768,083
Prepaid expenses and accrued income		10,537	3,275
Total current assets		4,119,191	33,771,101
Fixed assets			
Long-term receivables from Group companies	2.2	71,436,211	71,014,633
Investments in Group companies	2.3	83,008,243	82,002,159
Total fixed assets		154,444,454	153,016,792
Total assets		158,563,645	186,787,893
Short-term liabilities			
Trade accounts payable		83,952	65,085
– to third parties		83,952	65,085
Short-term interest-bearing liabilities	2.4	13,557,835	6,151,320
– to third parties		0	0
– to Group companies		13,557,835	6,151,320
Other liabilities		1,170,055	1,091,367
– to third parties		21,785	11,290
– to Group companies	2.5	1,148,270	1,080,077
Prepaid income and accrued expenses		76,439	134,502
Current provisions		834,570	1,893,000
Total short-term liabilities		15,722,851	9,335,274
Long-term liabilities			
Long-term interest-bearing liabilities		425,000	0
Total long-term liabilities		425,000	0
Total liabilities		16,147,851	9,335,274
Shareholders' equity			
Share capital		14,600,000	14,600,000
Legal capital reserves	2.6	66,981,141	97,424,589
Legal retained earnings		9,616,896	9,690,236
– General legal retained earnings		9,500,000	9,500,000
– Reserve for treasury shares		116,896	190,236
Voluntary retained earnings		11,167,715	10,580,926
Profit/loss carried forward		45,189,668	-47,777,122
Profit/loss for the year		-5,139,626	92,933,990
Total shareholders' equity		142,415,794	177,452,619
Total liabilities and shareholders' equity		158,563,645	186,787,893

2. INCOME STATEMENT

CHF	Notes	2017	2016
Income from equity interests	2.7	3,691,639	109,704,408
Other income		2,700	3,275
Other operating expenses	2.8	-1,160,791	-1,168,561
Amortization/depreciation and impairment losses on non-current assets	2.9	-9,110,856	-9,652,573
Financial income	2.10	2,215,453	984,261
Financial expenses	2.11	-1,389,525	-3,249,926
Operating result before taxes		-5,751,380	96,620,884
Extraordinary, non-recurring or prior period income	2.12	628,174	0
Extraordinary, non-recurring or prior period expenses	2.12	-16,420	-3,686,894
Result for the year before taxes		-5,139,626	92,933,990
Direct taxes		0	0
Profit/loss for the year		-5,139,626	92,933,990

NOTES TO THE FINANCIAL STATEMENTS 2017

1. MEASUREMENT PRINCIPLES APPLIED IN THE FINANCIAL STATEMENTS

Adval Tech Holding AG, with its registered office in Niederwangen, applies the standards of the accounting legislation under Art. 957ff, Swiss Code of Obligations (CO). The additional information in the Notes to the financial statements, the cash flow statement and the management report are omitted pursuant to CO Art. 961d, as the Company itself prepares consolidated financial statements in accordance with recognized accounting standards.

Assets are measured at acquisition cost or below. Equity interests are measured individually where they are significant and not commonly aggregated as a group for measurement due to their similarity in nature. Treasury shares are measured at acquisition value without subsequent valuations. A special reserve item is reported in shareholders' equity for treasury shares held by subsidiaries. Gains and losses from sale of treasury shares including transaction costs are taken directly to voluntary retained earnings. Liabilities are measured at nominal value. All assets and liabilities held in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Income and expenses in foreign currencies and all foreign-currency transactions are translated at the exchange rates prevailing on the transaction date. The resulting exchange rate differences are recognized in the income statement. Income is recognized as follows: dividends on maturity, service sales revenues at the invoice date following performance of the service.

2. INFORMATION, BREAKDOWNS AND EXPLANATORY NOTES

2.1 Trade accounts receivable – from Group companies

CHF	12/31/2017	12/31/2016
Adval Tech Immobilien AG, Niederwangen, Switzerland	23,534	43,875
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	36,744	167,500
Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil	2,155,115	2,007,079
Adval Tech (Hungary) Kft., Szekszárd, Hungary	130,014	60,007
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	23,612	0
Adval Tech (US) Inc., Cleveland, USA	3,622	5,967
Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico	36,504	68,313
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	0	0
Adval Tech Holding (Germany) GmbH, Endingen	405,001	415,342
Total Group companies	2,814,146	2,768,083

2.2 Long-term receivables from Group companies

CHF	12/31/2017	12/31/2016
Adval Tech Management AG, Niederwangen, Switzerland (subordinated)	500,000	500,000
Adval Tech Immobilien AG, Niederwangen, Switzerland	6,200,000	7,000,000
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	14,832,000	25,771,715
Adval Tech (Hungary) Kft., Szekszárd, Hungary	8,549,038	5,894,735
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	3,814,558	0
Adval Tech (US) Inc., Cleveland, USA	226,672	563,871
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico	3,494,049	1,971,403
Adval Tech Holding (Germany) GmbH, Endingen	33,819,894	29,312,909
Total Group companies	71,436,211	71,014,633

2.3 Investments in Group companies

Company		Share capital	12/31/2017		Share capital	12/31/2016		12/31/2017 Book value	12/31/2016 Book value
			100%	Share of capital and votes in %		100%	Share of capital and votes in %		
								CHF	
Adval Tech Management AG, Niederwangen, Switzerland	CHF	100,000	100%	100%	100,000	100%	100%	0	0
Management of equity interests									
Adval Tech Immobilien AG, Niederwangen, Switzerland	CHF	100,000	100%	100%	100,000	100%	100%	100,000	100,000
Holding and management of properties									
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	CHF	3,050,000	100%	100%	3,050,000	100%	100%	15,866,000	15,866,000
Stamping and forming technology									
Adval Tech (US) Inc., Cleveland, USA	USD	1	100%	1	100%	1	100%	0	0
Stamping and forming technology									
Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil	BRL	150,873	100%	150,873	100%	100%	0	0	0
	USD	360,000	100%	360,000	100%	100%	0	0	0
Stamping and forming technology									
Adval Tech (Hungary) Kft., Szekszárd, Hungary	EUR	990,000	100%	990,000	100%	100%	20,000,000	29,110,856	
Plastic components									
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	EUR	10,000	100%	0	100%	0	0	0	0
Stamping and forming technology									
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico*	MXN	50,000	100%	50,000	100%	100%	1,946,740	0	
Stamping and forming technology									
Adval Tech (Grenchen) AG, Grenchen, Switzerland	CHF	2,000,000	100%	2,000,000	100%	100%	6,470,000	6,470,000	
Plastic components									
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	USD	13,517,000	100%	13,517,000	100%	30,428,000	30,428,000		
Holdings in companies									
Adval Tech (Suzhou) Co. Ltd, Suzhou, China	USD	3,500,000	100%	3,500,000	100%	724,193	724,193		
Plastic components									
Adval Tech (Thailand) Co. Ltd, Rayong, Thailand**	USD	7,000,000	100%	7,000,000	100%	258,635	258,635		
Plastic components									
Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia	USD	6,000,000	100%	6,000,000	100%	1,701,155	1,701,155		
Plastic components									
Omni Plastics (Shanghai) Co. Ltd, Shanghai, China	USD	800,000	100%	800,000	100%	108,000	108,000		
Trading									
Omni Engineering (Shanghai) Co. Ltd, Shanghai, China	USD	2,400,000	100%	2,400,000	100%	1,653,731	1,653,731		
Trading									
Carryover							74,810,740	81,974,856	

* For legal reasons, Adval Tech Management AG holds part of the equity interest in the Company's share capital on a fiduciary basis.

** For legal reasons, various parties hold certain interests on a fiduciary basis. As they are not entitled to a share of profits, minority interests are not stated separately.

Company		Share capital	12/31/2017		Share capital	12/31/2016		12/31/2017	12/31/2016
			100%	Share of capital and votes in %		100%	Share of capital and votes in %		
Carryover								74,810,740	81,974,856
Adval Tech Holding (Germany) GmbH, Endingen, Germany	EUR	25,000	100%		25,000	100%		8,197,503	27,303
Holdings in companies / Holding and management of properties									
<i>Adval Tech (Germany) GmbH & Co. KG, Endingen, Germany</i>	EUR	1,132,000	100%		1,132,000	100%		11,668,169	11,668,169
<i>Tools and metal components</i>									
<i>Adval Tech (Germany) Verwaltungs GmbH, Endingen, Germany</i>	EUR	51,000	100%		51,000	100%		122,077	122,077
<i>Unbeschränkt haftende Gesellschafterin der Adval Tech (Germany) GmbH & Co. KG</i>									
Total equity interests								83,008,243	82,002,159

Indirect investment holdings are printed in italics.

In the previous year 100% of the shares in the following companies were sold to third parties in the reporting period: FOBOHA (Switzerland) AG, Muri, Switzerland, FOBOHA Holding GmbH, Haslach, Germany, together with their affiliates (FOBOHA (Germany) and FOBOHA US Inc.) and – indirectly via Adval Tech Holdings (Asia) Pte. – FOBOHA (Suzhou) Co. Ltd.

The following companies were renamed in the year under review:

- Styner+Bienz Form Tech AG to Adval Tech (Switzerland) AG
- Styner+Bienz do Brasil Ltda. to Adval Tech do Brasil Indústria de Autopeças Ltda.
- Styner+Bienz US Inc. to Adval Tech (US) Inc.
- Fischer IMF GmbH & Co. KG to Adval Tech (Germany) GmbH & Co. KG
- Fischer Verwaltungs-GmbH to Adval Tech (Germany) Verwaltungs GmbH

The renamings formed part of the Group's brand strategy. Moreover, the metal components business was spun off from Adval Tech (Hungary) Kft. in the first quarter of 2017 to form Adval Tech (Hungary) Plant 2 Kft. This restructuring had no implications for the financial position, assets or earnings.

In 2016, Adval Tech Holding AG acquired the following investments:

- Adval Tech Holding (Germany) GmbH, Endingen am Kaiserstuhl: The purpose of this company is to acquire and sell, hold and manage equity interests and properties. In connection with the acquisition of the shares in Fischer IMF GmbH & Co. KG, Adval Tech Holding AG acquired 100% of the shares in Adval Tech Holding (Germany) GmbH from third parties. Adval Tech Holding (Germany) GmbH acquired the operating property in Endingen and leases it to Fischer IMF GmbH & Co. KG.
- Fischer IMF GmbH & Co. KG, Endingen am Kaiserstuhl: This company manufactures tools for the production of stamped and formed metal parts and produces metal components and subassemblies; both areas of activity primarily serve the automotive market.
- Fischer IMF Verwaltungs-GmbH, Endingen am Kaiserstuhl: This company is the general partner in Fischer IMF GmbH & Co. KG.
- Adval Tech Immobilien AG, Niederwangen, Switzerland: The purpose of the company is to hold and manage properties.

2.4 Short-term interest-bearing liabilities

CHF	12/31/2017	12/31/2016
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	11,057,835	6,151,320
Adval Tech (Grenchen) AG, Switzerland	2,500,000	0
to Group companies	13,557,835	6,151,320
Total short-term interest-bearing liabilities	13,557,835	6,151,320

2.5 Other liabilities – to Group companies

CHF	12/31/2017	12/31/2016
Adval Tech Management AG, Niederwangen, Switzerland	1,032,098	1,049,315
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	34,074	30,762
Adval Tech (Germany) GmbH & Co. KG, Germany	75,848	0
Adval Tech (Grenchen) AG, Grenchen, Switzerland	6,250	0
Total other liabilities – to Group companies	1,148,270	1,080,077

2.6 Legal capital reserves

This item consists of the shareholders' capital contributions.

2.7 Income from Group equity interests

CHF	2017	2016
Income from equity interests	0	104,935,331
Loan interest income	1,620,850	2,054,077
Dividend income	0	0
Corporate service fees	381,789	460,000
Brand license fees	1,689,000	2,255,000
Total income from equity interests	3,691,639	109,704,408

2.8 Other operating expenses

CHF	2017	2016
Property insurance and fees	-7,000	-9,000
Royalties	-75,848	0
Office and administrative expenses	-1,037,492	-1,102,587
Sales and distribution expenses	-7,621	0
Other expenses	-32,830	-56,974
Total other operating expenses	-1,160,791	-1,168,561

2.9 Amortization/depreciation and impairment losses on non-current assets

CHF	2017	2016
Impairment losses on equity interests	-9,110,856	-5,001,378
Impairment losses on loans	0	-4,651,195
Total amortization/depreciation and impairment losses on non-current assets	-9,110,856	-9,652,573

2.10 Financial income

CHF	2017	2016
Financial income from third parties	1,275,684	289,570
Foreign currency gains/losses, Group companies	939,769	694,691
Total financial income	2,215,453	984,261

2.11 Financial expenses

CHF	2017	2016
Bank interest expense	-104,488	-294,689
Loan interest expense	-2,511	-998,657
Foreign withholding taxes	-442,350	-21,507
Bank fees	-1,830	-1,792
Other financial expenses	-163,327	-296,304
Foreign currency gains/losses, third parties	-342,623	-169,867
Commission expenses, shareholders	0	-193,750
Interest expenses shareholders	0	-283,889
Loan interest expense, Group companies	-332,396	-30,416
Foreign currency gains/losses, Group companies	0	-959,055
Total financial expenses	-1,389,525	-3,249,926

The item “Commission expenses, shareholders” reflects the commission for the guarantee of a major shareholder provided as part of the syndicated loan and – in 2016 – a loan of a major shareholder. Both were terminated or repaid in 2016.

2.12 Explanation of extraordinary, non-recurring and prior period income statement items

The extraordinary expenses in the year under review relate to costs arising only in the reporting year from acquisition of the holding in Adval Tech (Germany) GmbH & Co. KG and sale of the holdings in FOBOHA GmbH in the previous year. The costs posted in 2016 also relate to these transactions.

3. MISCELLANEOUS DISCLOSURES

The number of full-time employees was below 10 (previous year: below 10).

Treasury shares including interests in subsidiaries (book values)

	Number in 2017	Value in 2017	Number in 2016	Value in 2016
January 1	800	190,236	638	96,186
Purchase (details)	400	90,602	988	218,498
Sale (details)	-693	-163,943	-826	-124,448
December 31	507	116,896	800	190,236

The stated treasury shares are held by Adval Tech Management AG.

Equity securities for members of the Board of Directors and Executive Management

A total of 693 registered shares were allotted to the management in 2017. The shares were allotted in May 2017 as part of their variable compensation for the 2016 financial year, following approval by the Annual General Meeting of Adval Tech Holding AG. In the previous year, a total of 826 registered shares were allotted to members of the management.

	Number in 2017	Value in 2017	Number in 2016	Value in 2016
Issued to members of Board of Directors and Executive Management	693	163,943	826	124,448
Issued to employees	0	0	0	0
Total	693	163,943	826	124,448

Sureties to third parties

	2017	2016
Guarantees	5,367,561	8,632,864

Adval Tech Holding AG issued liquidity commitments in favor of subsidiaries, thus securing the provision of liquidity by Adval Tech Holding AG. The Group companies concerned will thus be able to meet their liabilities to their creditors when they fall due.

Major shareholders

As at December 31, 2017, according to the share register, the following shareholders held over 3% of the registered share capital recorded in the Commercial Register:

Ownership interest (as last reported)	12/31/2017	12/31/2016
Dr. h.c. Willy Michel	23.7%	23.7%
Artemis Beteiligungen I AG, Hergiswil ¹⁾	21.2%	21.2%
Grapha Holding AG, Hergiswil ²⁾	8.8%	8.8%
J. Safra Sarasin Investment Fonds AG*	8.5%	8.5%
Hansruedi Bienz	7.5%	7.5%
Einfache Gesellschaft Dreier ³⁾	3.5%	3.5%

Beneficial owners:

- 1) Michael Pieper
- 2) Rudolf B. Müller, London, Great Britain
- 3) Hans Dreier, Rudolf Dreier

* Effective amount of holding as at December 31, 2017 and December 31, 2016.

Board of Directors and Group Executive Management interests in Adval Tech Holding AG

As at December 31, 2017, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the Company's equity securities:

Position as at December 31, 2017		12/31/2017 (Number)	12/31/2016 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	172,687	172,687
Michael Pieper	Vice Chairman of the Board (until AGM 2017)	156,686	156,686
Hans Dreier	Member of the Board of Directors, Head IT/Logistics/Legal	13,347	13,457
Christian Mäder	Member of the Board of Directors (since AGM 2017)	–	–
Dr. Roland Waibel	Member of the Board of Directors	200	200
René Rothen	CEO	1,112	957
Markus Reber	CFO	527	493
Valeria Poretti	Head Corporate HR/Communication	521	440

4. BOARD OF DIRECTORS' PROPOSAL REGARDING APPROPRIATION OF RETAINED EARNINGS

in CHF	2017	2016
Retained earnings carried forward		
Retained earnings/losses at the beginning of the financial year	45'189'668	-47'777'122
Profit/loss for the year	-5'139'626	92'933'990
Retained earnings/losses at the disposal of the General Meeting	40'050'042	45'156'868
Capital contribution reserves carried forward		
Legal capital reserves at the beginning of the financial year	67'494'589	97'424'589
– Reclassification to voluntary retained earnings	-513'448	0
Board of Directors' proposal to the General Meeting		
– Transfer to profit carried forward	-2'920'000	-29'930'000
Legal capital reserves to be carried forward	64'061'141	67'494'589

in CHF	2017 Board of Directors' proposal	2016 General Meeting resolution
Board of Directors' proposal regarding appropriation of retained earnings		
Retained earnings/losses at the disposal of the General Meeting	40'050'042	45'156'868
Transfer from the capital reserve	2'920'000	29'930'000
Distribution to shareholders	-2'920'000 ¹⁾	-29'897'200
To be carried forward	40'050'042	45'189'668

¹⁾ The amount is based on the number of shares eligible for distributions as at the reference date December 31, 2017, and may change as a result of treasury share transactions after the reference date.



Report of the statutory auditor to the General Meeting of Adval Tech Holding AG

Niederwangen b. Bern

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Adval Tech Holding AG, which comprise the balance sheet as at 31 December 2017, income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 118 to 128) as at 31 December 2017 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 800'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

- Impairment testing of the investments in Group companies and of short- and long-term receivables from Group companies

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<i>Overall materiality</i>	CHF 800'000
<i>How we determined it</i>	Approx. 0.5% of total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because, in our view, it is a benchmark commonly used for a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 80'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of the investments in Group companies and of short- and long-term receivables from Group companies

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
We consider the impairment testing of the investments in Group companies of CHF 83.0 million and of the short- and long-term receivables from Group companies of CHF 74.2 million as a key audit matter because of the significant scope for judgement available to Management with regard to the discount rate and the growth rate in performing impairment tests, because of the low profitability in certain countries and because these assets represent a significant amount on the bal-	We tested the investments in Group companies for impairment in the financial year. Management performed impairment tests on the investments in Adval Tech (Grenchen) AG, Adval Tech Holdings (Asia) Pte. Ltd., Adval Tech (Hungary) Kft., Adval Tech (Hungary) Plant 2 Kft. and Adval Tech Holding (Germany) GmbH. We performed the following: <ul style="list-style-type: none">• Compared with the actual results of each com-



ance sheet (around 99% of total assets).

Please refer to note 2.1 (Trade accounts receivable from Group companies) and note 2.2 (Long-term receivables from Group companies) and note 2.3 (Investments in Group companies) in the notes to the financial statements 2017 of Adval Tech Holding AG.

pany concerned with its budget in order to identify assumptions that in retrospect appeared too optimistic regarding the cash flows;

- Checked for plausibility the future prospects based on the multi-year plan approved by the Board of Directors and discussed these with Management;
- Validated the key parameters of the impairment test (discount rate and long-term growth rate) by means of sensitivity analyses and a comparison with analogous companies.

Management assessed individually the recoverability of short- and long-term receivables from subsidiaries, except where the standalone financial statements prepared in accordance with Swiss GAAP FER or an impairment test showed that these were secured by positive equity. We performed the following:

- Discussed in detail with Management and the Audit Committee the assessment and re-performed it, and
- Checked for plausibility the future prospects based on the multi-year plan approved by the Board of Directors.

On the basis of the audit procedures described above, we addressed the risk relating to the valuation of the investments in Group companies and of short- and long-term receivables from Group companies. We have no findings to report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

A blue ink signature of the name "Oliver Kuntze".

Oliver Kuntze
Audit expert
Auditor in charge

A blue ink signature of the name "Yvonne Jost".

Yvonne Jost
Audit expert

Bern, 22 March 2018

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Forward-looking statements

The present Annual Report contains forward-looking statements in relation to the Adval Tech Group which are based on current assumptions and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated. Examples include: changes in the economic and legal environment, the outcome of legal disputes, exchange rate fluctuations, unexpected market behaviour on the part of our competitors, negative publicity and the departure of management-level employees. The forward-looking statements are pure assumptions, made on the basis of information that is currently available.

This Annual Report is available in English and German. The original German-language version is binding.

