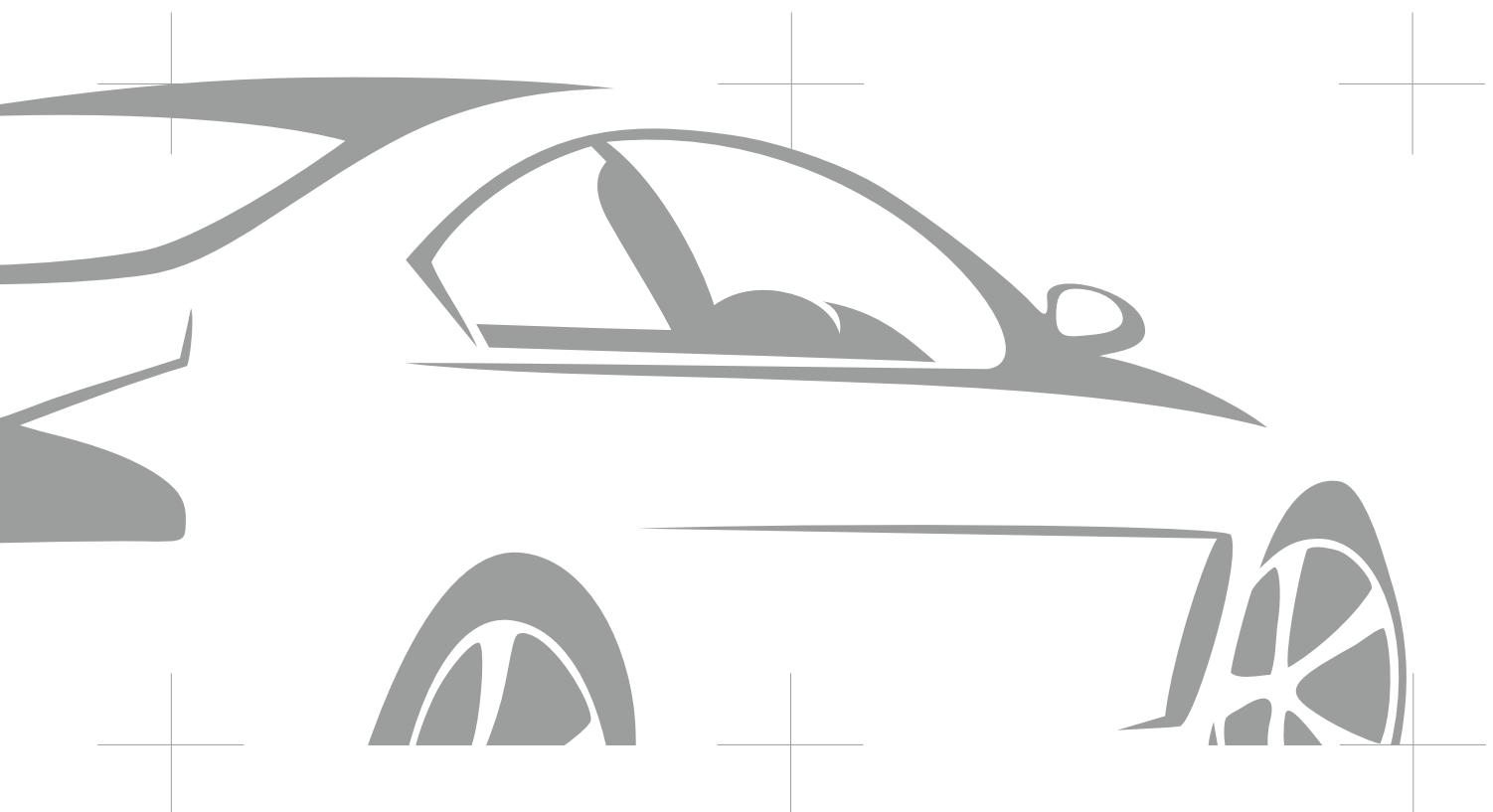




A N N U A L R E P O R T

2015

ADDING VALUE THROUGH INNOVATION

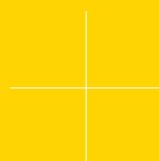
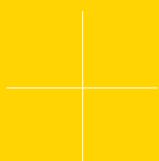
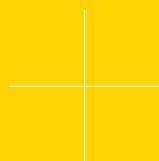
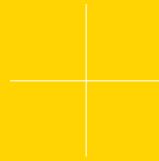
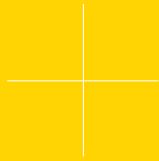




A photograph showing three men in professional attire (two in suits, one in a checkered shirt) working together at a desk. They are looking down at papers and a pen is visible. The background is bright and slightly blurred.

# We are Adval Tech

The people behind Adval Tech's success: the 1700-plus employees at 16 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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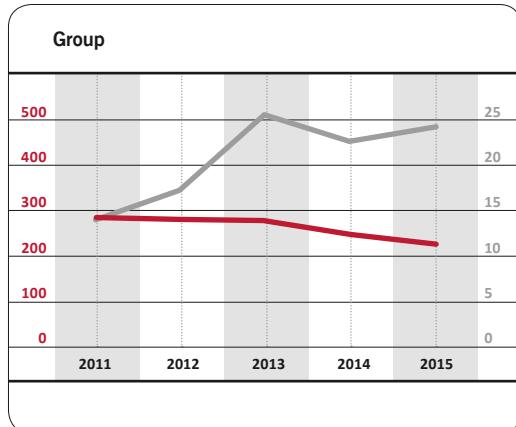
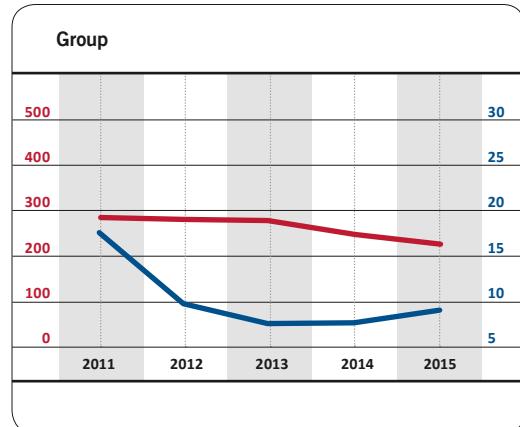
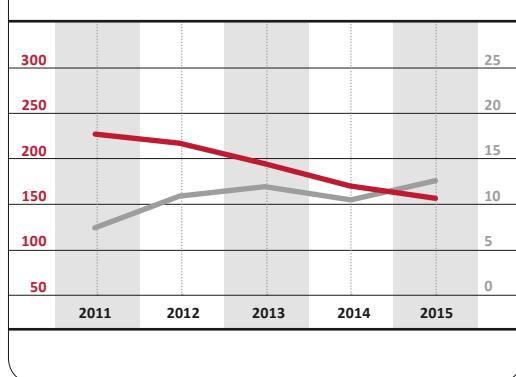
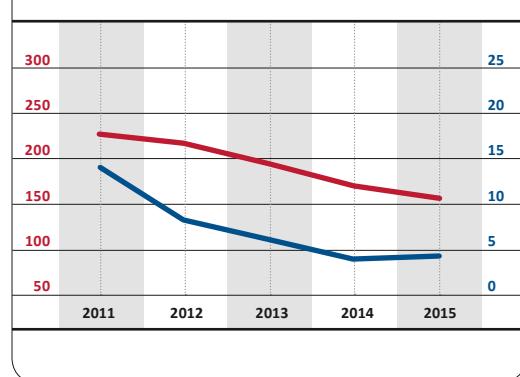
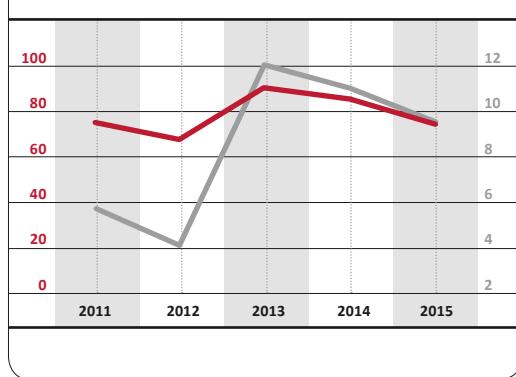
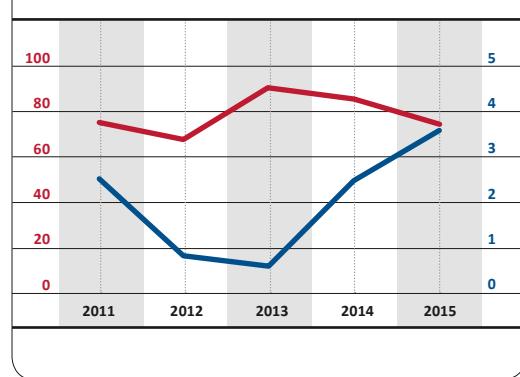
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## KEY FIGURES OF THE ADVAL TECH GROUP

	2015 <sup>1)</sup>	2014 <sup>1)</sup>	2013 <sup>1)</sup>	2012 <sup>1)</sup>	2011 <sup>2)</sup>
<b>Total income (CHF millions)</b>					
Group	224.3	247.0	278.8	279.6	284.9
Change in %	-9.2	-11.4	-0.3	-1.9	-10.0
Per employee (CHF thousands)	144.9	148.2	139.7	115.7	114.8
Components segment	153.1	164.4	193.7	218.3	221.3
Molds segment	74.4	86.1	89.7	67.6	75.5
<b>EBITDA (CHF millions)</b>					
Operating earnings before depreciation	24.4	23.3	25.7	16.9	14.3
in % of total income	10.9	9.4	9.2	6.0	5.0
Components segment	12.3	10.2	11.7	10.5	7.3
Molds segment	9.7	11.0	12.1	4.1	5.7
<b>EBIT (CHF millions)</b>					
Operating earnings	9.8	8.9	6.5	-3.5	-5.0
in % of total income	4.4	3.6	2.3	-1.3	-1.8
<b>Net result (CHF millions)</b>					
Profit/loss for the year	0.6	1.9	-22.0	-15.4	-16.3
in % of total income	0.3	0.8	-7.9	-5.5	-5.7
<b>Cash flow and capital expenditure (CHF millions)</b>					
Cash flow from operations	18.7	9.0	14.5	7.5	5.7
Operative free cash flow	5.0	-0.3	4.7	1.1	-4.7
Free cash flow	5.0	2.8	37.8	1.1	-4.7
Capital expenditure	-9.2	-7.0	-7.3	-9.9	-17.5
Components segment	-4.8	-4.3	-6.1	-8.3	-14.3
Molds segment	-3.6	-2.3	-0.7	-0.9	-2.5
<b>Balance sheet figures (CHF millions)</b>					
Total assets	201.2	220.5	218.7	238.6	265.0
Shareholders' equity	64.6	68.5	64.3	53.8	68.5
in % of total assets	32.1	31.1	29.4	22.6	25.8
<b>Employees</b>					
on December 31	1,482	1,603	1,720	2,239	2,491
Components segment	1,096	1,227	1,347	1,876	2,048
Molds segment	371	361	357	345	424
<b>Market capitalization (CHF millions)</b>					
on December 31	115.3	131.0	127.8	116.4	120.5
<b>Selected key figures per share</b>					
Earnings (CHF)	0.82	2.59	-30.15	-21.06	-22.36
Dividend (CHF)	0.00	0.00	0.00	0.00	0.00
Payout ratio %	n.a.	n.a.	n.a.	n.a.	n.a.
P/E ratio on December 31	n.a.	n.a.	n.a.	n.a.	n.a.

1) According to Swiss GAAP FER

2) According to Swiss GAAP FER restated

**TOTAL INCOME AND EBITDA****TOTAL INCOME AND CAPITAL EXPENDITURE****Components Segment****Components Segment****Molds Segment****Molds Segment**

Total income in CHF millions  
 EBITDA in CHF millions

Total income in CHF millions  
 Capital expenditure in CHF millions



## SHARE STATISTICS AND PRICE TRENDS

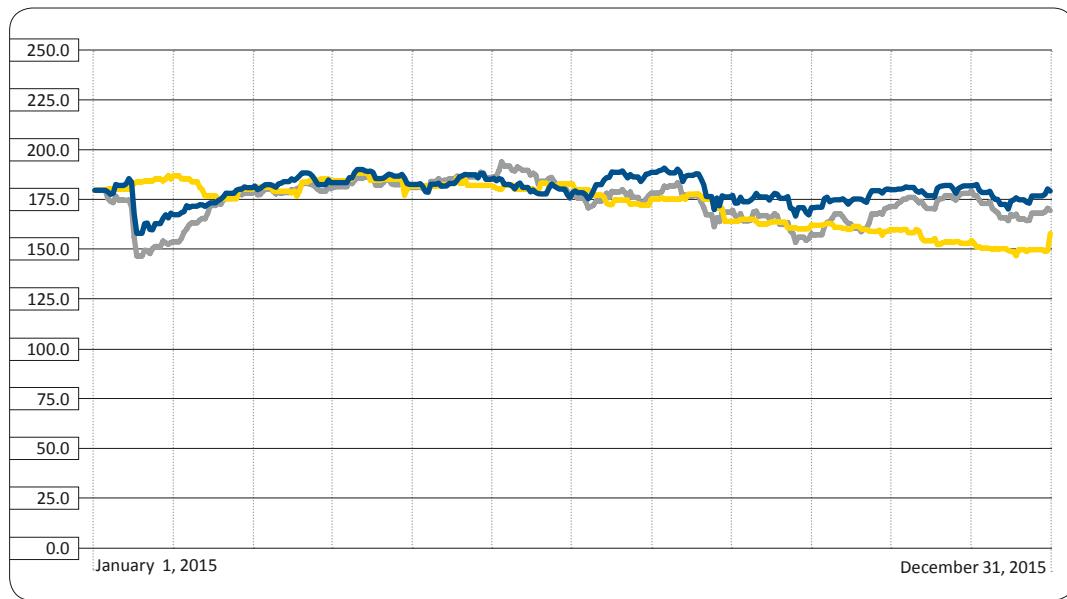
	2015	2014
<b>Registered shares</b>	<b>730,000</b>	<b>730,000</b>
EBIT per share (CHF)	13.47	12.14
Profit per share (CHF)	0.82	2.59
Shareholders' equity per share (CHF)	88.51	93.79
Dividend per share (CHF)	0.00	0.00
Payout ratio %	n.a.	n.a.
P/E ratio on December 31	n.a.	n.a.
<b>Market prices (CHF)</b>		
Low (12/17/15, 02/14/14)	147.00	158.00
High (04/09/15, 04/30/14)	188.00	218.00
December 31	158.00	179.40
<b>Market capitalization (CHF millions)</b>		
Low (12/17/15, 02/14/14)	107.31	115.34
High (04/09/15, 04/30/14)	137.24	159.14
December 31	115.34	130.96

### 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

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**The Swiss National Bank's lifting of the euro-franc exchange rate floor in January 2015 shaped the Adval Tech Group's past fiscal year. Adval Tech implemented targeted steps to limit the negative impact. With total income of CHF 224.3 million (2014: CHF 247.0 million), the Group posted EBITDA of CHF 24.4 million (2014: CHF 23.3 million), EBIT of CHF 9.8 million (2014: CHF 8.9 million) and a positive consolidated profit of CHF 0.6 million (2014: CHF 1.9 million).**

The Adval Tech Group is systematically implementing its focusing strategy. Construction of a Company-owned plant in Mexico, which officially opened in November 2015, is testimony to this determination, as is the acquisition of Fischer IMF at the end of March 2016. Adval Tech's Components segment focuses on the automotive market and related applications in other industries. The components for these applications are similar to those for the automotive industry in terms of quantities, quality requirements, service life and production processes.

## Acquisition of Fischer IMF

With the acquisition of Fischer IMF based in Endingen, Germany, the Adval Tech Group strengthened its market position in the metal components area and further expanded its access to OEM partners and first-tier one automotive suppliers. In 2015 Fischer IMF generated annual sales of roughly CHF 30 million, specializing in development, engineering and manufacturing of press and form tools, primarily for applications in the automotive industry. Fischer IMF's offerings are a perfect complement to Adval Tech's existing product portfolio. The acquisition strengthens the Adval Tech Group's strategic market position. At the same time, the Endingen location in southern Germany also gives Adval Tech a new platform for activities in the plastic components area.

## Key figures

The Adval Tech Group generated around 92% of sales abroad and over 35% of costs in Switzerland. The currency-induced pressure on margins was therefore considerable, following the Swiss franc's

substantial appreciation in mid-January 2015. Despite the difficult currency situation, the Adval Tech Group succeeded in boosting operating earnings and sustaining the positive trend that began a few years ago.

### Total income

At CHF 224.3 million, the Group's total income in the review period was CHF 22.7 million below the previous year's figure (CHF 247.0 million). Two-thirds of this 9.2% contraction was due to exchange rate movements. Certain products produced at the plants in Switzerland and mostly exported to the EU reached the ends of their life cycles, further negatively impacting total income. At constant exchange rates, total income declined by only 2%.

The Components segment accounted for some 68% of total income (2014: 66%) while the Molds segment made up the remaining 32% (2014: 34%).

### Operating earnings – EBITDA and EBIT

The Adval Tech Group's EBITDA grew by 4.7% in the year under review to CHF 24.4 million (2014: CHF 23.3 million). Despite the decline of some CHF 23 million in total income, the EBITDA margin thus improved from 9.4% to 10.9%. Net of currency effects the margin was 11.9%. Adval Tech achieved these encouraging results through further improvements in productivity, rigorous cost control and by exploiting additional synergies.

Adval Tech lifted EBIT in the year under review to CHF 9.8 million (2014: CHF 8.9 million), corresponding to an EBIT margin of 4.4% (2014: 3.6%). Net of currency effects the EBIT margin was 5.6%.

Both segments contributed to the improvement. In the Components segment the positive trend was due primarily to the complementary business with production equipment from Styner+Bienz FormTech in Niederwangen. Sales of plastic components by the companies in Hungary, China and Malaysia also helped boost profits. The Molds segment, heavily dependent on the project business, was able to com-

plete projects successfully in the second half that had been postponed in the first half.

#### **Net result (net profit)**

The net result for 2015 includes CHF 4.5 million in exchange rate losses due to the Swiss National Bank's decision in mid-January 2015 to eliminate the EUR/CHF exchange rate floor. Thanks to operational efforts whose impact unfolded primarily in the second half of the year, Adval Tech was largely able to offset this currency loss. Overall, the Adval Tech Group posted a net result of CHF 0.6 million (2014: CHF 1.9 million, first half of 2015: CHF -2.8 million).

#### **Capital expenditure and net current assets**

The Adval Tech Group invested CHF 9.2 million in tangible fixed assets in the year under review (2014: CHF 7 million). These investments were primarily intended to fill new orders in the components business (CHF 5.5 million).

At CHF 18.7 million, cash provided by operating activities in 2015 was double the previous year's figure (2014: CHF 9.0 million). Free cash flow also moved in the right direction, reaching CHF 5.0 million in the year under review (2014: CHF 2.8 million).

At the end of 2015, operating net current assets (trade accounts receivable, inventories and trade accounts payable) stood at CHF 46.0 million (2014: CHF 46.4 million). This corresponds to 20.6% of total income (20.5%). The Adval Tech Group' equity ratio improved from 31.1% to 32.1%. Net debt at the end of 2015 came to CHF 60 million (2014: CHF 64 million).

#### **Bank loans**

At the start of July 2014, Adval Tech rolled over its expiring line of credit with two big Swiss banks to a new contract with four banks, three in Switzerland and one in Germany. A new credit limit of CHF 85 million was set at that time with a term of three years. At the end of 2015 Adval Tech had repaid CHF 10.0 million.

#### **Segment results**

##### **Components**

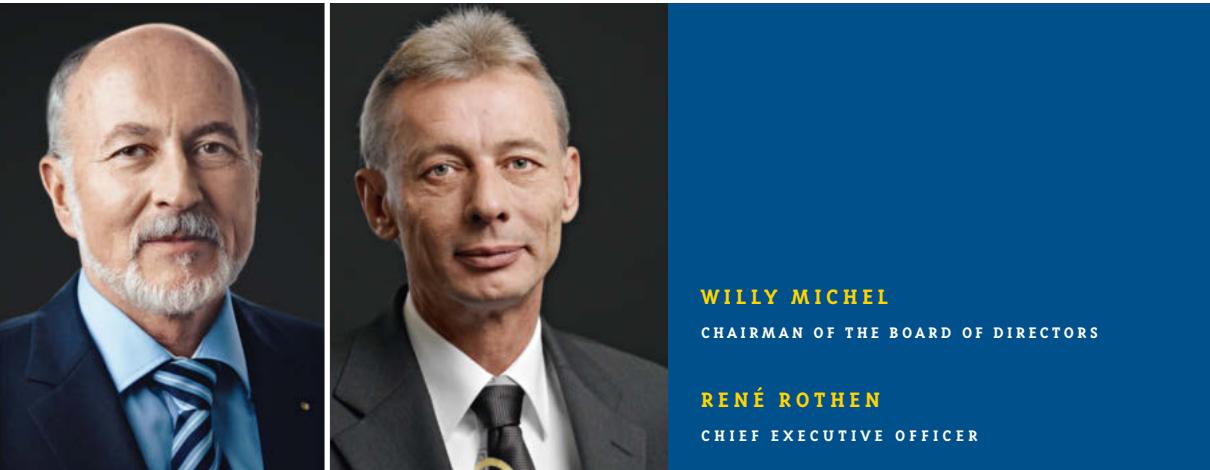
In the 2015 review period the Components segment (metal and plastic components) generated total income of CHF 153.1 million (2014: CHF 164.4 million). At constant exchange rates the segment would have experienced a decline of roughly 3.6%. Thanks to a successfully implemented cost reduction program, efficient cost control and contracts for two complementary plant projects, the Components segment posted EBITDA of CHF 12.3 million (2014: CHF 10.2 million). Net of currency effects the total was CHF 3.2 million above the year-back figure. The Components segment raised its EBITDA margin by 1.8 percentage points to 8.0% (2014: 6.2%).

##### **Molds**

The Molds segment, which trades under the name FOBOHA, generated total income of CHF 74.4 million in 2015 (2014: CHF 86.1 million). This corresponds to a decline of CHF 11.7 million compared with the prior-year period. In the second half of the year the segment was able to successfully complete some of the projects that had been deferred during the first half. At constant exchange rates the Molds segment would have posted total income equal to the previous year's strong figure. At CHF 9.7 million, EBITDA was CHF 1.3 million below the prior-year figure of CHF 11.0 million. The EBITDA margin, by contrast, rose to 13.0% (2014: 12.7%).

#### **Outlook**

With the construction of the new plastic components plant in Mexico and the acquisition of Fischer IMF in the metal components sector, the Adval Tech Group reached two more significant milestones in implementing its focusing strategy, laying a foundation for future growth in the automotive market. In addition, Adval Tech will continue to pursue related applications in other industries. The most important tasks for Adval Tech in 2016 will be integrating Fischer IMF, bringing the plant in Mexico up to speed, completing restructuring at the location in China and successfully filling newly won orders.



**WILLY MICHEL**

CHAIRMAN OF THE BOARD OF DIRECTORS

**RENÉ ROTHEN**

CHIEF EXECUTIVE OFFICER

**Thank you**

We would like to thank our customers, suppliers and business partners for their cooperation. Likewise, our sincere thanks go to our employees for the considerable commitment and flexibility they have shown. We also wish to thank you, our shareholders, for the trust you place in the Adval Tech Group.

Niederwangen, March 2016

Willy Michel

Chairman of the Board of Directors

René Rothen

Chief Executive Officer

**ADVAL TECH IN MEXICO**

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# NEW ADVAL TECH PRODUCTION FACILITY IN MEXICO

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**The Adval Tech Group will start series production of air flow elements and air flow systems for the Audi Q5 at its new facility in Querétaro, Mexico, in April 2016. Adval Tech was only nominated for this significant production order just over eighteen months ago. Within a very short time, it has built a completely new facility for this order on a different continent. The new facility guarantees exactly the same quality as its production plants in Europe. This report shows what made this possible.**

This success story started in Hungary: Adval Tech has been producing air flow elements and air flow systems for Audi in Székkard, Hungary, since the end of 2014. Adval Tech was also involved in the development of these components and provided Audi with an innovative tooling concept with a great deal of freedom and flexibility to produce the parts for different model variants. The collaboration was so good that Audi also awarded the Group the contract to supply air flow elements and air flow systems to the new Audi site in Mexico.

## A major challenge

A time window of 20 months, a location 12 hours flight away, the highest quality requirements and different cultural environment meant the project posed a major challenge for the team at Adval Tech's Plastics Technology Tech Center. The tools and production equipment was developed in Muri (Switzerland) and assembled, tested and prepared for series production at the respective supplier's facilities. At the same time, Adval Tech had to find the right site for its new facility in Mexico. As well as executing the Audi order smoothly, it wanted a location that would enable it to become a preferred supplier to other OEMs in Mexico in the future.

The choice came down to three established automotive industry regions: Tlaxcala, Hidalgo and Querétaro. The main arguments in favor of Querétaro were its central location, the comparatively high security of the city, its well-functioning infrastructure with established industrial parks and the large pool of skilled and experienced employees in the region. Adval Tech found a site at Parque Industrial El Marqués. The new facility has been built from scratch. It has a production area of some 3000 m<sup>2</sup> and an option to double this. Now Adval Tech is focusing on building up and accessing the local market.

## 100 to 170 jobs in the medium term

Adval Tech assembled the tools and production plants in close consultation with the customer. When all tests had been completed and final acceptance of the tools and production equipment had been obtained, Adval Tech transported them to its new site in Querétaro. Adval Tech (Mexico) S.A. de C.V. will start series production of air flow elements and air flow systems in April 2016. In the medium term, the company plans to employ about 100 to 170 people at the new Querétaro site.

## Specialist knowledge and social competence

The interdisciplinary project team from Adval Tech's Plastics Technology Tech Center made sure that this demanding project was completed smoothly and on schedule. The team comprised development, product and process engineers, key account managers, quality experts and project managers.

A project as complex as this makes very specific demands on the people involved: Alongside specialist knowledge, social competencies are very important. That includes respecting the contributions made by everyone involved in the project, some of whom come from different disciplines and have a very different cultural background. Every member of the project team needs excellent communication and collaboration skills. Armin Mettler: "What we need are people who are a bit crazy – in the positive sense of the term: People who are happy to go the extra mile. They need to be prepared to work together across professional and geographic boundaries, confront new cultures, and learn to handle special conditions shaped by different habits and customs. A project of this type needs people who can forget normal working hours for a while and never lose sight of the ultimate goal."

**advatech**

**Adval Tech's Plastic Technology Tech Center team in Muri (from left to right):**

Walter Mast, Metin Dilli, Micha Stutz, Armin Mettler, Fritz Lerch, Roko Ilic, Felix Rosenfeld, Rolando Mancinelli, Markus Göbel, Pavle Smoljanovic, Ayhan Yilmaz. In Mexico during photo shoot: Loris Laviola.



**In 20 months from nomination to series production**

**2014**

**19 August**  
Nomination

**August**  
Start of development and engineering  
of components and molds

**2015**

**July**  
Acceptance of molds and  
production equipment

**24 August**  
Establishment of project team

**January/February**  
Evaluation of production sites in Mexico



**2016**

**August**  
End of development and engineering of components and molds

**August/September**  
Transport of production equipment to Mexico; team at site hired

**October–December**  
Tests at site

**April**  
Start of series production

**March–September**  
Construction of building in Mexico

**August–November**  
Installation of production equipment

## SHORT INTERVIEW WITH ARMIN METTLER

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**Did this unusual project run smoothly from your point of view?**

Very much so. We have reached our targets which we had set together with our customers. We have taken the name Adval Tech out into the world and created new jobs. This motivates me in particular. It was only possible to stick to the tight schedule thanks to good planning and a great team. And naturally, as always, a bit of luck.

**How difficult is it to achieve clearly defined European quality standards in Mexico?**

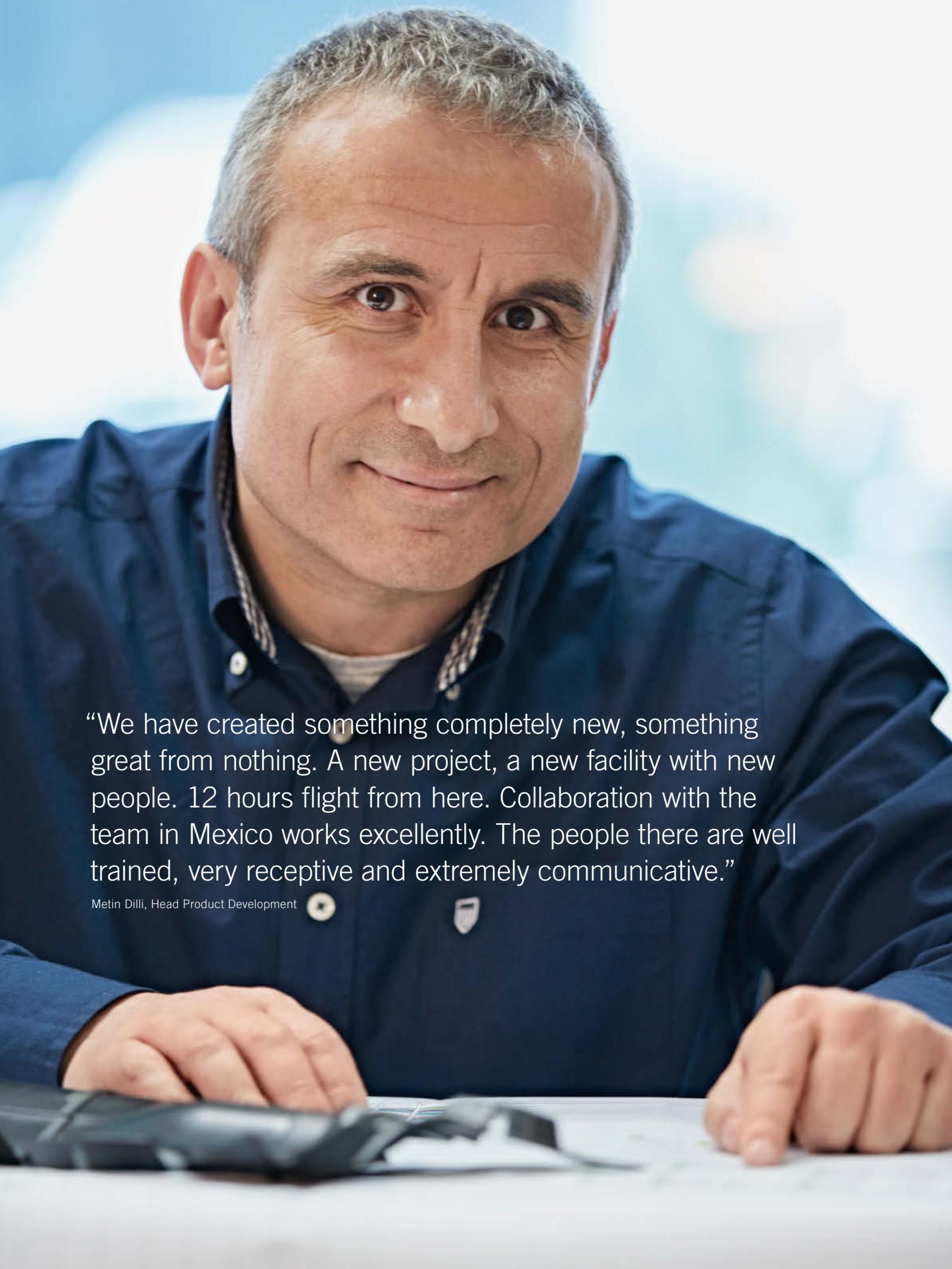
The basis for that in Mexico is very good. We have European equipment and tools and proved processes. Our new employees in Mexico are now being trained accordingly. That is going extremely well. The Mexicans are on the same wavelength as us. They are open, honest and fair and have their feet firmly on the ground. Besides, many of them have a very good technical training and experience in the automotive industry.

**What are the next plans for Querétaro? What are your goals for the Mexican site?**

Now we want to build up the local market and secure other attractive orders. We want to extend the facility and we have an option to double our production area.

*Armin Mettler, General Manager Tech Center  
Plastics Technology and General Manager  
Plant Mexico*





“We have created something completely new, something great from nothing. A new project, a new facility with new people. 12 hours flight from here. Collaboration with the team in Mexico works excellently. The people there are well trained, very receptive and extremely communicative.”

Metin Dilli, Head Product Development

A close-up portrait of Markus Göbel, a middle-aged man with short, dark hair and a slight smile. He is wearing a blue and white checkered shirt. His hands are resting on a light-colored wooden desk. In the background, there are blurred office elements like a bookshelf and a computer monitor.

“We managed to build up experience and transfer all aspects of production to Mexico in an extremely short time. The project was particularly exciting because our customer also had to first build up new structures of its own in Mexico. We rarely have so much freedom. And seeing the results is really great.”

Markus Göbel, Head Development



“This project was another opportunity for me to get to know and value a new culture. We've been able to recruit very good people in Mexico with a lot of expertise in the automotive industry. Working with them is a pleasure.”

Rolando Mancinelli, Quality Management Representative



“The big challenge in this project was the time factor. The tight schedule meant there was no margin for error. Our partners in Mexico are very highly skilled and work extremely accurately and reliably.”

Ayhan Yilmaz, Head Process Engineering



“This was also a pioneering project for our customer. We learned a lot in the course of it. The time difference made communication with people on-site a bit more complicated than usual. The smoothness of the project and its successful completion will open doors for us with other OEMs in Mexico.”

Walter Mast, Key Account Manager

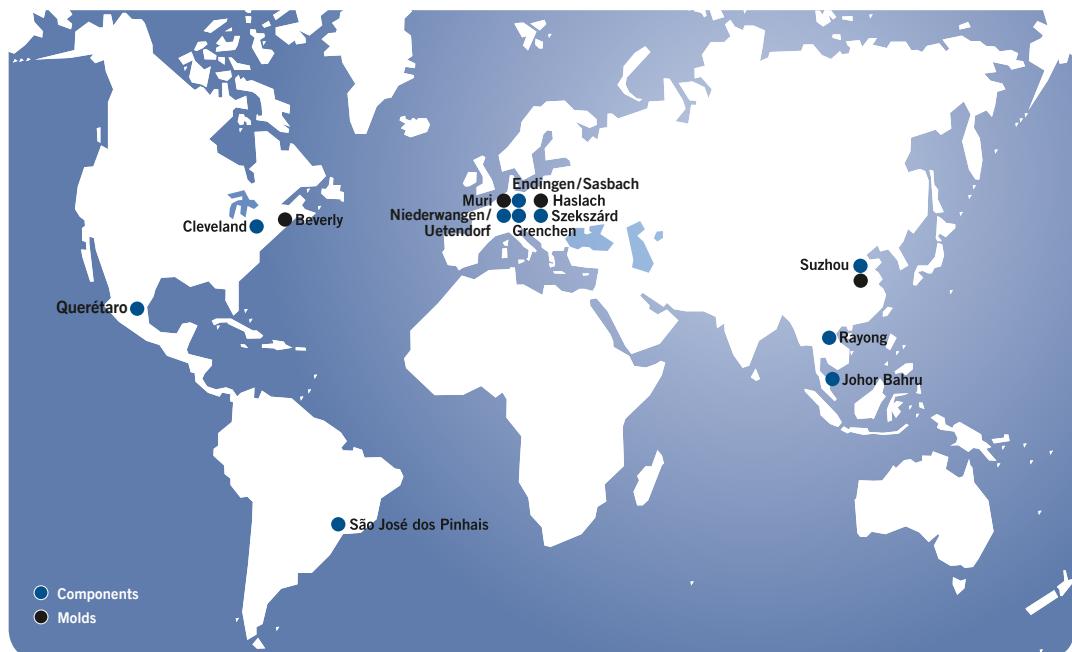
## FOCUS ON SELECTED ACTIVITIES

**The Adval Tech Group is a global industrial supplier of components and of high-performance molds and production systems. It focuses on selected activities in its target markets and places a high priority on employee career development.**

In the Components segment, Adval Tech produces plastic and metal components. The Molds segment develops high-performance molds and production systems.

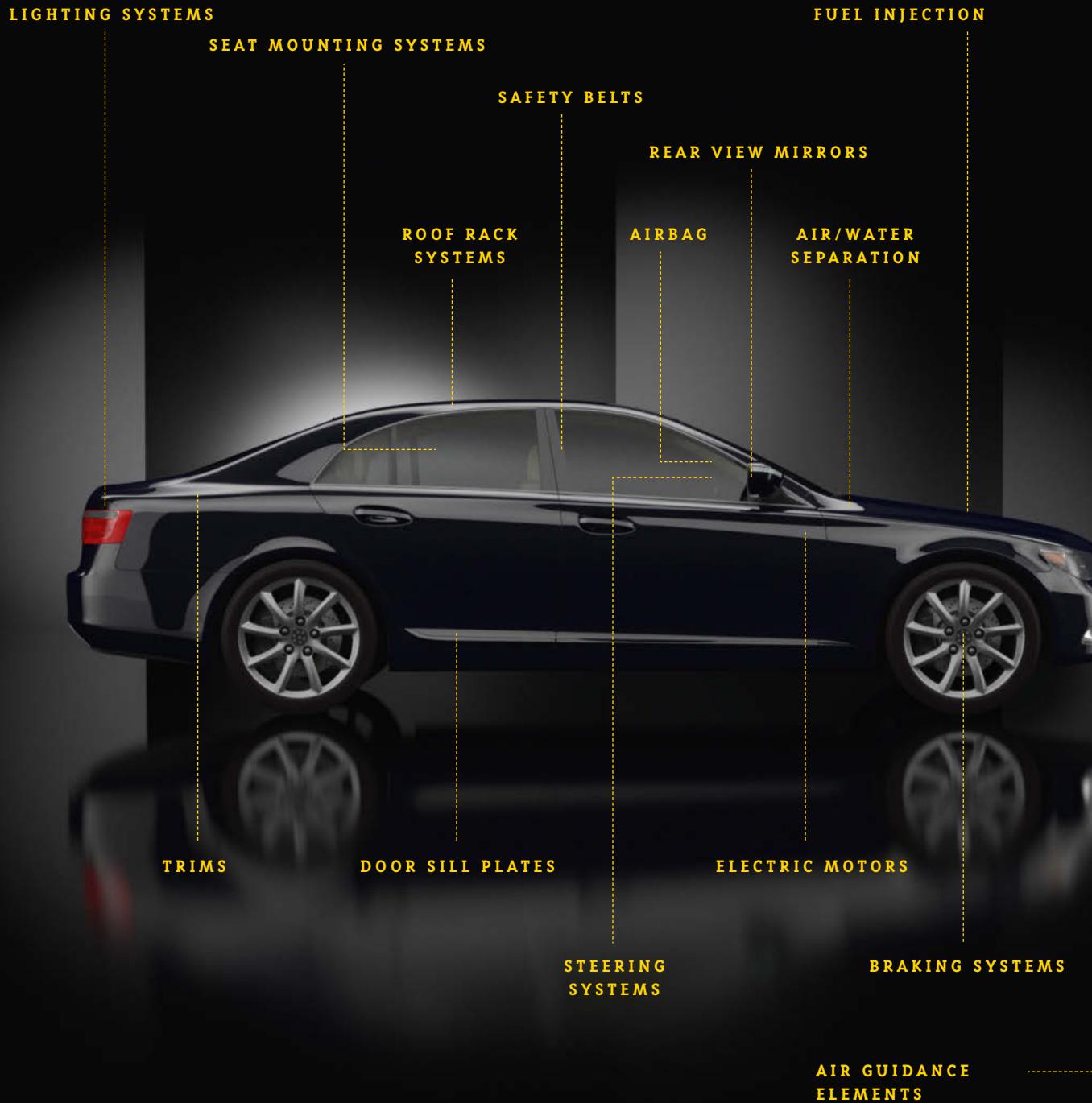
### Plastic components

Adval Tech's series-production plastic components are used in cars and for other technically demanding applications. Examples include air flow elements and air flow systems for Audi, air/water separation systems for BMW, and seat belt buckles used in a range of car brands. In addition, Adval Tech manufactures components for related applications with similar quantities, quality requirements and production processes and with a comparable service life.



		Components		Molds
		Metal	Plastic	
Europe	Adval Tech (Grenchen) AG, Grenchen, Switzerland		●	
	Adval Tech (Hungary) Kft., Szekszárd, Hungary	●	●	
	FOBOHA (Germany) GmbH, Haslach, Germany			●
	FOBOHA (Switzerland) AG, Muri (AG), Switzerland			●
	Fischer IMF GmbH & Co. KG, Endingen/Sasbach, Germany	●		
	Styner+Bienz FormTech AG, Niederwangen/Uetendorf, Switzerland	●		
Asia	Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia		●	
	Adval Tech (Suzhou) Co. Ltd, Suzhou, China		●	
	Adval Tech (Thailand) Co. Ltd, Rayong, Thailand		●	
	FOBOHA (Suzhou) Co. Ltd, Suzhou, China			●
Americas	Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico		●	
	FOBOHA (US) Inc., Beverly, Massachusetts, USA			Sales
	Styner+Bienz do Brasil Ltda., São José dos Pinhais, Brazil	●		
	Styner+Bienz US Inc., Cleveland, Ohio, USA	●		

# COMPONENTS FOR THE AUTOMOTIVE INDUSTRY



Some examples include plastic parts for premium sewing machines or components and subassemblies for the medical, pharmaceutical and diagnostics industries.

### Metal components

The main metal components manufactured by Adval Tech are safety parts for cars, e.g. components for airbags, ABS braking systems, fuel injections, steering and lighting systems. It also makes parts and subassemblies containing metal and plastic components, such as door sill plates for BMW.

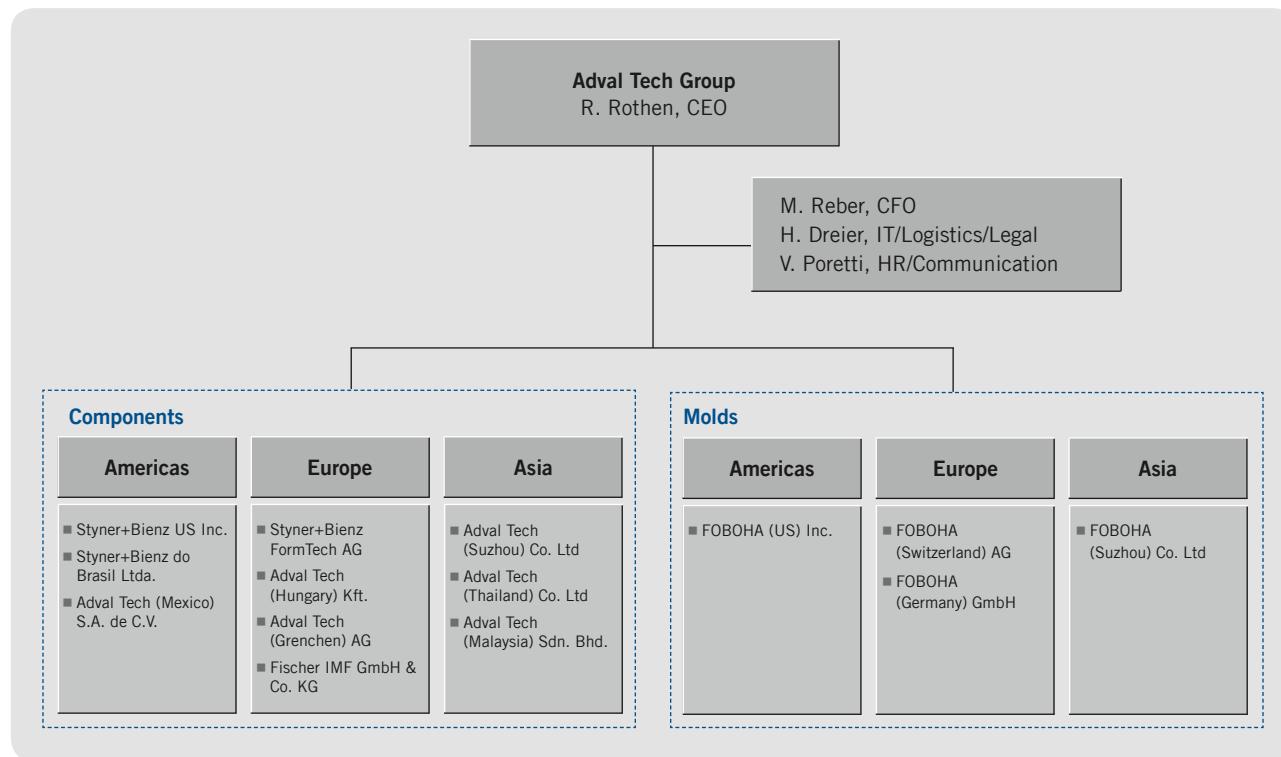
### Mold-making

Adval Tech's principal markets in the mold-making segment are consumer and personal care (e.g. for the manufacture of multi-blade razors or roll-on deodorants), packaging (e.g. for beverages or shampoos), medical and automotive. FOBOHA has also established itself as a specialist for production systems in which machine, mold and automation are perfectly aligned with each other.

### Staff management

The Adval Tech Group offers attractive career opportunities for its employees. 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, use these commitments to foster a positive corporate image. To achieve these goals, Adval Tech has developed a human resources philosophy represented by the motto "together to the top." Under this philosophy, staff are expected to develop themselves, and Adval Tech invests proactively in training and education to this end. The Group also encourages work abroad. Through intensive exchanges among Adval Tech's locations in different parts of the world, the 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 its global customers. And Adval Tech fosters the next generation, helping young talent ripen into seasoned professionals.

## GROUP STRUCTURE



As at April 1, 2016

## GROUP EXECUTIVE MANAGEMENT

**HANS DREIER** HEAD IT/LOGISTICS/LEGAL

**MARKUS REBER** CHIEF FINANCIAL OFFICER

**VALERIA PORETTI-REZZONICO** HEAD CORPORATE HR/COMMUNICATION

**RENÉ ROTHEN** CHIEF EXECUTIVE OFFICER

(FROM LEFT TO RIGHT)

## EXECUTIVE BODIES

### Board of Directors

Dr. h.c. Willy Michel, Chairman  
Michael Pieper, Vice Chairman  
Hans Dreier  
Dr. Roland Waibel

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

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

### Group Executive Management

René Rothen, Chief Executive Officer  
Hans Dreier, Head of IT/Logistics/Legal  
Valeria Poretti-Rezzonico, Head Corporate HR/Communication  
Markus Reber, Chief Financial Officer

### Statutory Auditors

PricewaterhouseCoopers AG, Bern





## FURTHER IMPROVEMENT OF THE EBITDA-MARGIN

**The Components segment (metal and plastic components) once again posted an improved EBITDA margin for the year under review at 8.0% compared to 6.2% for 2014. Primarily due to the unfavorable movement in exchange rates, the segment's total income fell from CHF 164.4 million in 2014 to CHF 153.1 million. Net of currency effects the segment income fell only by 3.6%.**

The Components segment produces metal and plastic parts in large batches for selected application areas, focusing on the automotive industry and related applications in other markets (such as plastic housings for premium sewing machines). As a one-stop shop, Adval Tech operates along the entire value chain, from product design and the development of mass-produced parts through construction and production of the necessary tools and molds to entire production systems and the resulting manufacture of components. Where necessary, Adval Tech also offers assembly of components into subassemblies or modules.

In **plastic components**, for example, the Components segment produces air flow guidance and direction parts, air-water separation elements and seatbelt buckles. In the automotive sector, the Components segment delivers plastic components directly to auto manufacturers (OEMs) and to first-tier customers who supply auto manufacturers.

When working on orders from OEMs, the Group applies its technical expertise and development as well as its innovation strengths from the outset and throughout the value chain.

In projects for first-tier customers, most of which are implemented in our Asian markets, responsibility for development lies with the customer. Here the Adval Tech Group assists the customer in optimally and efficiently aligning the product and its requirements with the manufacturing process. This approach generates additional value for the customer while also ensuring efficient and high-quality component production.

Further components produced by Adval Tech include sophisticated parts and assemblies for the medical, pharmaceutical and diagnostic industries.

The Components segment has production facilities for plastic components in Europe (Switzerland, Hungary), Asia (China, Thailand, Malaysia) and since recently also in America (Mexico).

The **metal components** manufactured by the Components segment consist mainly of safety parts for cars. These include rotationally symmetrical parts, such as components for airbags, ABS braking systems and fuel injection systems, as well as steering system subassemblies. The segment also manufactures composite components, such as lighting groups and door sill plates made of metal and plastic elements. Most of the Components segment's metal components are supplied to first-tier customers.

With the acquisition of Fischer IMF, the Adval Tech Group strengthened its market position in the metal components area and further expanded its access to OEM partners and first-tier automotive suppliers.

The production facilities for metal components are located in Europe (Switzerland, Germany and Hungary), South America (Brazil) and North America (USA).

### Business trends, technology and innovation

The Components segment's 2015 total income of CHF 153.1 million was 6.9% lower than the previous year's CHF 164.4 million. The decline was to a large extent due to exchange rate effects; without these the decline in this segment would have only been at 3.6%.

Since January 2015 Adval Tech has used an innovative approach to tooling in producing air deflection elements and air guidance systems for Audi in Hungary. Adval Tech has delivered plastic components for the Q7 model to the Audi plant in Bratislava since early 2015. Components for the A4 model have been shipped to Audi's plant in Ingolstadt since mid-2015. Based on the good experience of this collaboration and in response to our innovative approach to tooling and the positive effect it has

had on the components, Audi also chose the Adval Tech Group to supply air deflection elements and air guidance systems for the new Audi site in Mexico.

Upon completion of testing and final acceptance of the tools and production equipment at the respective suppliers' facilities, Adval Tech moved them to the new production facility in Querétaro, Mexico. Adval Tech built this completely new plant from the ground up near the new Audi production site. It was officially inaugurated on November 20, 2015 with Francisco Dominguez, governor of the state of Querétaro, Swiss ambassador to Mexico Louis-José Touron and distinguished representatives of the Mexican automotive industry and local and regional government in attendance. The guests were welcomed by Willy Michel, Chairman of the Board of Directors of the Adval Tech Group, and by CEO René Rothen. Adval Tech (Mexico) S.A. de C.V. will commence series production of air deflection elements and air guidance systems for Audi in April 2016. In the medium term Adval Tech plans to create between 100 and 170 new jobs at the new Querétaro facility.

Adval Tech succeeded in securing an additional plastic components order during the year under review with air flow systems for the VW Touareg. Series production is scheduled to start in Hungary in 2017 and continue for eight years.

In the metal components unit, a tier one customer has nominated Adval Tech for a second steering system production line. The Components segment also launched series production of an electric steering column adjustment subassembly for BMW's 35up platform (3, 5, 7, X3, X5, X6, X7 series) during the year under review.

The situation for the plant in Brazil remained difficult in 2015. Brazil's nationwide economic crisis and its impact on the automotive industry continued.

With a first-tier customer Adval Tech is currently implementing its strategy of global alignment with the manufacturing of plastic parts in millions at the production sites in Hungary, China, Thailand and Mexico.

Beyond the automotive industry, Adval Tech was also nominated as strategic partner for production of a new type of hand-washing station in the year under review. The device uses a sophisticated system that mixes water, air and soap to conserve water while ensuring optimum hygiene. During the next six years Adval Tech will produce all of the plastic parts for this pioneering washing system at its Malaysia location.

### **Employees**

Employee headcount fell from 1,227 to 1,096 during the year under review. This was due primarily to capacity adjustments in business with non-OEM customers in Brazil and China and at the two Styner+Bienz FormTech AG plants in Niederwangen and Uetendorf. At all sites the Components segment found it very difficult to recruit qualified specialists during the year under review. This makes continuing training and advancement all the more important, together with systematic knowledge transfer by placing employees at other affiliates on international assignments.

**On March 30, 2016 the Adval Tech Group concluded an agreement for the purchase of Fischer IMF GmbH & Co. KG in Endingen am Kaiserstuhl, Germany. With this strategically important acquisition Adval Tech is strengthening its market position in metal components and expanding its access to OEM partners in the automotive industry.**

Fischer IMF specializes in press and forming technology for complex metal operations with a focus on the automotive industry. The company currently employs around 280 people and generated sales of approximately EUR 30 million in 2015. Upon completion of the transaction, Fischer IMF will be fully consolidated with the Adval Tech Group. Adval Tech will acquire 100% of shares in Fischer IMF GmbH & Co. KG. Both parties have agreed not to disclose the purchase price. The purchase will be financed through a subordinated shareholder loan from a major shareholder.

The family business, Fischer IMF was founded in 1985 by the current owner and managing director Eberhard Fischer and his wife. Fischer IMF develops, engineers and produces press tools and specializes in the production of metal components and the assembly of modules with a focus on the automotive industry. Fischer IMF's customers include major German auto manufacturers (OEMs) and their direct suppliers (first-tier). A working relationship built on trust has existed between Fischer IMF and Adval Tech for many years.

René Rothen, CEO of Adval Tech, is pleased with the strategically important step of acquiring Fischer IMF, emphasizing, "With the purchase of Fischer IMF we are strengthening the Adval Tech Group's strategic market position, augmenting our metal components product portfolio in an ideal way, obtaining direct access to the automakers (OEMs) and expanding our customer portfolio among their direct suppliers (first-tier). The nearby production site in Germany is a perfect complement to our production site in Switzerland."

Eberhard Fischer, founder and managing director of Fischer IMF, is convinced: "Fischer IMF and Adval Tech have had a working relationship built on trust for years. This is an outstanding foundation for a shared future in business. The merger of our business with Adval Tech will bring important strategic advantages for our company. Our customers and employees will benefit from the Adval Tech Group's global orientation and thus from the successful further development of our own company."



## HIGHER EBITDA MARGIN

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**The Molds segment (mold-making) generated total income of CHF 74.4 million in 2015 (2014: CHF 86.1 million). At constant exchange rates the segment would have reached the high level of the previous year. Whereas the first half of the year was affected by several project delays, in the second half the Molds segment succeeded in compensating for a large portion of the shortfall in sales. EBITDA declined from CHF 11.0 million to CHF 9.7 million (-11.8%). By contrast, the segment was able to lift the EBITDA margin from 12.7% to 13.0%.**

The Molds segment develops and produces high-performance molds for the manufacture of plastic components. In recent years, the segment has also established itself as a supplier of turnkey production systems. These consist of plastic injection molding machines, high-performance molds and associated automation systems. As a systems supplier, Adval Tech FOBOHA can comprehensively optimize the entire process of on-site development and launch of a new production system for a given application from the outset and subsequently provide the customer with a tested system.

The Molds segment's development and production sites are located in Germany, Switzerland and China. In the United States the segment operates a sales company, FOBOHA (US) Inc. Since March 2014, the segment has been operating under the uniform Adval Tech FOBOHA brand.

Adval Tech FOBOHA's principal markets are consumer and personal care, packaging, medical and automotive.

### **Business trend, technology and innovation**

In 2015 the Molds segment generated total income of CHF 74.4 million, a decline of 13.6% compared with the previous year (CHF 86.1 million). This decline is purely exchange rate-related; at constant exchange rates, the segment would have matched the 2014 figure.

Against the backdrop of the currency climate, it is therefore particularly gratifying to note that FOBOHA Switzerland won a new order in the strategic field of food packaging and bottle caps. Moreover, FOBOHA Switzerland developed a pilot mold for one of the

world's leading consumer goods groups – FOBOHA Suzhou (China) subsequently manufactured the production molds.

The establishment of a global key account team managed from the Haslach site and offering international clients a high level of service worldwide, has paid off.

Adval Tech FOBOHA pursued several innovation projects in 2015 too. These include the technological development of injection blow-molding tools based on cube technology.

Today, packaging for laundry detergents, shower gels and shampoos must also conform to the requirements of e-commerce. Specifically, this means that packaging must protect the products against damage and leaks not only for bulk shipment on pallets but also for individual parcels. Thanks to its many years of experience in making two-component molds for packaging with a hard and soft component, Adval Tech FOBOHA is a sought-after development partner for packaging that complies with e-commerce requirements. Adval Tech FOBOHA can draw on a wide range of tool technologies. Cube technology is often the best solution for cost-effective production of this packaging.

### **Employees**

At 371, the Molds segment's employee headcount at the end of 2015 is 3% higher than at the end of 2014 (361). Finding qualified employees and specialists continued to be a major challenge during the year under review. The Molds segment remains strongly committed to a strategy of training and developing its own staff. To this end, targeted exchange and career development programs are organized among the sites in Germany, Switzerland and China.



## C O R P O R A T E G O V E R N A N C E

**Adval Tech's corporate governance structure is based on the regulations governing the organization and conduct of business. In response to the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), which took effect on January 1, 2014, the Annual General Meeting of May 21, 2015 approved comprehensive amendments to the Articles of Incorporation. Unless otherwise specified, the present Corporate Governance Report refers to the 2015 fiscal year, to the position at the balance sheet date of December 31, 2015, to the Company's Articles of Incorporation as amended on May 21, 2015 and to the Organizational Regulations of March 28, 2014. The following report conforms essentially to the structure specified by SIX Swiss Exchange.**

### Corporate 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. For operational purposes the Adval Tech Group is organized into the two segments: Components (plastic and metal components) and Molds. In the Components segment, Adval Tech focuses on the automotive market and on related applications. The principal markets of the Group in the mold-making segment are consumer and personal care, packaging, medical and automotive. The operating business units in the Components segment report directly to the CEO. The operating business units in the Molds segment report to the head of the segment, Rainer Armbruster, who in turn reports 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 28.

Adval Tech B registered shares were listed on SIX Swiss Exchange as at June 4, 1998, under securities code number 896 792. All shares of Adval Tech Holding AG have been listed in the Domestic Standard category on SIX Swiss Exchange since July 5, 2004, under the above securities code number. Their SIX Swiss Exchange ticker symbol is ADVN, their Reuters symbol ADVN.S, their Bloomberg symbol ADVN SW, their ISIN number CH0008967926. The market capitalization of Adval Tech Holding AG on December 31, 2015, was CHF 115.3 million.

On December 31, 2015, Adval Tech Management AG held 638 registered shares in Adval Tech Holding AG (previous year: 500 registered shares); the remaining Group companies hold no shares in Adval Tech Holding AG.

The following companies are included in the scope of consolidation on December 31, 2015:

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%
Styner+Bienz FormTech AG	Niederwangen, Switzerland	TCHF	3,050	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
Styner+Bienz US Inc.	Cleveland, OH, USA	TUSD	1	100%
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TMXN	50	100%
Adval Tech (Hungary) Kft.	Szekszárd, Hungary	TEUR	1,900	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	TTHB	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%
FOBOHA (Switzerland) AG	Muri (AG), Switzerland	TCHF	600	100%
FOBOHA Holding GmbH	Haslach, Germany	TEUR	25	100%
FOBOHA (Germany) GmbH	Haslach, Germany	TEUR	512	100%
FOBOHA (US) Inc.	Beverly, MA, USA	TUSD	1	100%
FOBOHA (Suzhou) Co. Ltd	Suzhou, China	TUSD	7,720	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: As part of the restructuring of the automotive market business in Mexico, the new company Adval Tech (Mexico) S.A. de C.V. was established during the first half of 2015, commencing operations in the second half. Adval Tech Holding AG holds 100% of the shares in this company, either directly or indirectly.

There were no changes in the scope of consolidation in 2014. The names of certain companies were changed as part of the new branding strategy.

The disclosures published in conformity with Article 20 of the Stock Exchange Act (SESTA) can be accessed on the website of SIX Swiss Exchange via the following link: [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)

Disclosure pursuant to BEHG Art. 20 during fiscal 2015:

The following disclosure was published on October 30, 2015: GEKLA AG, CH-Hergiswil, exceeded the 5% disclosure threshold by purchasing registered shares. The indirect holder of GEKLA AG is Rudolf B. Müller, London. GEKLA AG is a subsidiary of GRAPHA-Holding, CH-Hergiswil, a company wholly owned by Rudolf B. Müller. The disclosure obligation arose on October 27, 2015. Disclosed holdings of registered shares and voting rights: 64,278 registered shares carrying 8.81% of voting rights.

The following disclosure was published on October 30, 2015: Lombard Odier Asset Management (Switzerland) SA, CH-Petit-Lancy, fell below the 3% disclosure threshold through disposal of registered shares. The disclosure obligation arose on October 27, 2015.

The following disclosure was published on February 21, 2015: Sarasin Investmentfonds AG renamed J. Safra Sarasin Investmentfonds AG, CH-Basel. The disclosure obligation arose on February 12, 2015. Disclosed holdings of registered shares and voting rights: 71,502 registered shares carrying 9.795% of voting rights.

Shareholders holding more than 3% of the registered share capital (as shown in the shareholders' register or according to the latest published disclosure report), as recorded in the Commercial Register on December 31, 2015, are listed below.

Ownership interest (as last reported)	12/31/2015	12/31/2014
Dr. h.c. Willy Michel	23.7%	23.7%
Artemis Beteiligungen I AG, Hergiswil <sup>1)</sup>	21.2%	21.2%
J. Safra Sarasin Investment Fonds AG*	9.8%	9.8%
GEKLA AG, Hergiswil <sup>2)</sup>	8.8%	n.a.
Hansruedi Bienz	7.5%	7.5%
Lombard Odier Darier Hentsch Fund Managers SA	n.a.	6.9%
Einfache Gesellschaft Dreier <sup>3)</sup>	3.5%	3.5%

Beneficial owners:

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

\* Effective amount of holding as at December 31, 2015 and December 31, 2014  
Renamed J. Safra Sarasin Investmentfonds AG (cf. disclosure above)

There are no shareholders' pooling agreements and no capital or voting cross-holdings. The overall structure of shareholdings at December 31, 2015, was as follows:

Number of shares	Shareholders
1 to 100	226
101 to 1,000	69
1,001 to 10,000	14
More than 10,000	10
<b>Total</b>	<b>319</b>

### Capital structure

As at December 31, 2015, 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 stockholders' rights of co-determination (see page 48).

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

in CHF	12/31/2015	12/31/2014	12/31/2013
Share capital	14,600,000	14,600,000	14,600,000
Legal capital reserve	97,424,589	97,424,589	97,424,589
Legal retained earnings	9,596,186	9,599,413	9,500,000
<i>General legal reserve</i>	<i>9,500,000</i>	<i>9,500,000</i>	<i>9,500,000</i>
<i>Reserve for treasury shares</i>	<i>96,186</i>	<i>99,413</i>	<i>0</i>
Voluntary retained earnings	10,674,976	10,671,750	10,771,163
Loss carried forward	-18,814,905	-20,034,078	-11,616,918
Profit/loss (for the year)	-28,962,217	1,219,173	-8,417,160
<b>Total equity</b>	<b>84,518,629</b>	<b>113,480,847</b>	<b>112,261,673</b>

There were no changes in capital in the years 2013, 2014 and 2015.

As at December 31, 2015, 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 SIX SAG AG, Baslerstrasse 90, 4600 Olten, on behalf of Adval Tech Holding AG.

### Board of Directors

On December 31, 2015 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 fiscal year 2015.
- **Michael Pieper** (Vice Chairman), born 1946, Swiss; MA (Econ.) St. Gall; owner and CEO of Artemis Holding AG, Hergiswil (since 1989); director since 2004, non-executive, serving until the close of the Annual General Meeting for fiscal year 2015.
- **Hans Dreier**, born 1953, Swiss; MBA FH; executive director since 1988, Head of IT/Logistics/Legal at the Adval Tech Group, Niederwangen; serving until the close of the Annual General Meeting for fiscal year 2015. Further information on his professional career can be found under Executive management on page 47.
- **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); director since 2005, non-executive, serving until the close of the Annual General Meeting for fiscal year 2015.

Willy Michel is Chairman of the Board of Directors of Ypsomed Holding AG, Burgdorf. From fall 2011 until mid-2014 he also served as Delegate of the Board and CEO of the company. He is also Vice Chairman of the Board of Directors of BV Holding AG, Bern (Chairman from 2001 until 2008). He holds two mandates at exchange-listed companies and exercises four 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, gastronomy and watchmaking industries. In 2007 Dr. Michel founded Finox AG, specializing in fertility therapies. 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 (SVID) awarded Dr. Michel its 2014 Communicator of the Year (COTY) Award.

Michael Pieper is a director of the following companies: Berenberg Bank (Switzerland) AG, Zurich, Hero AG, Lenzburg, Forbo Holding AG, Baar, Rieter Holding AG, Winterthur, Autoneum Holding AG, Winterthur and AFG Arbonia-Forster-Holding AG, Arbon. He holds four mandates at listed companies and exercises three mandates at unlisted legal entities.

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 two mandates at unlisted legal entities.

None of the non-executive members of the Board of Directors has also been employed by the Adval Tech Group in an operational or consultative capacity in the past three years. The members of the Board of Directors as at 31 December 2015, were not members of any executive and supervisory bodies of significant

Swiss or foreign corporations, institutions and foundations under public or private law other than those indicated above and also hold no important public offices.

Under Article 30 of the Company's Articles of Incorporation as amended on 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.

#### **Number of mandates as at December 31, 2015 (outside the Adval Tech Group)<sup>1</sup>**

Number of mandates	Public companies	Unlisted legal entities
<b>Restriction under Articles of Incorporation</b>	<b>5</b>	<b>10</b>
Willy Michel	2	4
Michael Pieper	4	3
Roland Waibel	0	2

<sup>1)</sup> See the Group Executive Management section, page 47, for information on the number of Hans Dreier's mandates.

Ypsomed AG in Burgdorf and Adval Tech Holding AG signed an agreement on strategic cooperation in moldmaking in June 2007. The objective of this cooperative venture is to combine the respective strengths and core competencies of Ypsomed and Adval Tech and exploit them for the economically efficient manufacture of high-quality products.

In September 2010, Finox AG in Burgdorf and Adval Tech Holding AG agreed to collaborate in the field of mold manufacturing and plastic components. The aim of this collaboration is for Adval Tech to provide production capacity for Finox medical components. Finox AG is deemed to be a related party, as a member of the Board of Directors of Adval Tech Holding AG is a main shareholder of Finox AG.

As part of the reorganization of the Adval Tech Group's financing in January 2012, Techpharma AG, which is wholly owned by Mr. Willy Michel, and Mr. Willy Michel himself provided a guarantee in favor of the lending banks. This contract expired at the beginning of July 2014. It was replaced by a new contract under which the above parties provide a guarantee in the amount of CHF 25 million in favor of the lending banks. Please see Note 18 to the Financial Report on pages 84 and 85 for details.

The sales, receivables and payables listed in Note 37 were substantially the result of 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 37 of the Financial Report on page 99.

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 do not contain any provisions stipulating an

age limit for members of the Board of Directors. The Organizational Rules stipulate an age limit of 70 years. Adval Tech Holding AG's Articles of Incorporation and Organizational Rules are available on the Internet at [www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules](http://www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules).

The following elections were held at the Annual General Meeting of May 21, 2015:

- Willy Michel, Michael Pieper, Hans Dreier and Roland Waibel were separately re-elected as members of the Board of Directors for a term of one year, elapsing at the close of the Annual General Meeting for fiscal 2015.
- Willy Michel was elected as Chairman of the Board of Directors for the period ending at the close of the next Annual General Meeting.
- Willy Michel, Michael Pieper and Roland Waibel were separately re-elected as members of the Appointments and Compensation Committee for a term of one year, elapsing at the close of the next Annual General Meeting.
- The law and notarial firm of Muntwyler von May Notare (formerly Gubler von May & Partner) in Bern and 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 fiscal year 2015.

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 Group Executive Management; defining the Group organization; appointing and dismissing the CEO and other members of 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 the material transactions for which it is solely responsible according to the allocation of authority in effect. These include in particular corporate acquisitions or disposals, contracts regarding licenses and cooperation.

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 an Appointments and Compensation Committee, for this purpose.

The duties, authority and responsibilities of the Board of Directors and the board committees are stipulated in the regulations governing the organization of Adval Tech Holding AG dated March 28, 2014 (direct link: [www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules](http://www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules)).

The duties and authority of the Audit Committee are listed in paragraph 5 of the regulations governing the organization. The composition of the Audit Committee is as follows: Roland Waibel (Chairman), Hans Dreier.

The duties of the Appointments and Compensation Committee are set forth in Section 6 of the organizational regulations. The Appointments and Compensation Committee is made up exclusively of non-executive members of the Board of Directors: Willy Michel (Chairman), Michael Pieper 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. Four meetings were held in 2015. 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 and directives. On the application of the CFO it approves the budget for auditing fees and assesses the independence of and the compatibility of auditing activities with other advisory mandates. The Audit Committee submits a proposal to the Board of Directors for the attention of the annual general meeting regarding the election of auditors. 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 2015. The CFO attended all three meetings in the year under review; the CEO attended two. Also the auditors attended all three meetings in 2015. No other external advisers were called in. The meetings usually last two to four hours. The audit findings can be seen in the remuneration report on page 61, in the financial report on page 101 for the consolidated financial statements and on page 112 for Adval Tech Holding AG.

In accordance with the Company's Articles of Incorporation as amended on May 21, 2015, the **Appointments and Compensation Committee** is made up of at least two members of the Board of Directors. Members are elected individually by the 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 Appointments and Compensation Committee, the Board of Directors designates the Chairman of the Committee, which otherwise constitutes itself. The Appointments 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 selection preparation and by performing succession planning and support. It assesses the performance of Group Executive Management members, reporting to the Board of Directors, and determines base salaries and bonuses for Group Executive Management based on a fixed formula. The **Appointments 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 Appointments and Compensation Committee proposes the compensation of the Chairman and other members of the Board of Directors. The Appointments 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 2015. As a rule, the CEO attends meetings in an advisory capacity; in 2015 he did not attend the meeting. No external consultants were called upon. Meetings typically last one to two hours. As a rule, the Appointments 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 General Meeting.

## Composition of the Board of Directors and the Committees and number of meetings held in 2015

Full Board of Directors <sup>1</sup>		Audit Committee <sup>1</sup>		Appointments and Compensation Committee <sup>2</sup>	
Name	Position	Meetings attended	Position	Meetings attended	Position
Dr. h. c. Willy Michel	Chairman	4 -	-	Chair	1
Michael Pieper	Vice Chairman	4 -	-	Member	1
Hans Dreier	Member	4 Member	3 -	-	-
Dr. Roland Waibel	Member	4 Chair	3 Member	-	1
<b>Total meetings</b>		<b>4</b>	<b>3</b>		<b>1</b>

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 three meetings of the Board of Directors.

2) The CEO didn't attend the meeting of the Appointments and Compensation Committee.

## 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 major Group companies, the segments 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 Group 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. The management of financial risks is described in detail in Note 2 on pages 73 and 74 of the financial report and cooperation with the auditors on page 50 of this Corporate Governance Report.

## Internal control system

The Adval Tech Group's internal control system (ICS) is implemented at entity 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 already; since 2009, its design and application have been coordinated Group-wide. The Board of Directors receives reports on the design and development of the internal control system, generally once a year. The existence of the ICS is reviewed on an annual basis 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 year under review. The findings of that audit are outlined in the auditor's report on pages 101 and 112 of the Annual Report.

Within the internal control system, 10 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 entity level, key risks and key controls are defined for the following processes and are continually monitored: sales

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 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](http://www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules)).

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 disposal of investment holdings, development and closure of sites, restructuring measures, tendering of sureties and guarantees, appointing and dismissing members of Group Executive Management, entry into significant and/or long-term contracts with customers or suppliers, initiation of significant investments or divestments, modifications of accounting standards and principles above and beyond adjustments to the standard applied.

## Group Executive Management

The executive management team of the Adval Tech Group (Group management) consisted of four members as at December 31, 2015:

- **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 latterly also as CEO of a subsidiary in the US. Joined Adval Tech as Head of the Automotive Division in 2007, member of Group management since 2007, CEO of the Adval Tech Group since August 1, 2012.
- **Hans Dreier**, born 1953, Swiss; with 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, since 1997 member of Group management in his current position. Member of the Board of Directors of Adval Tech Holding AG since 1988; see page 41.
- **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 Group 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/Chiasso (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 Group 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. For further details on mandates, please see the notes on the Board of Directors on page 41 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 at December 31, 2015 (outside the Adval Tech Group)**

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

In the reporting period, there were no management contracts between Adval Tech Holding AG, or its subsidiaries, and third parties. Details of remuneration, shareholdings and loans will be presented in a separate remuneration report on pages 53 to 60 of this Annual Report.

#### **Shareholders' rights of co-determination**

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. At the 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 do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all share votes when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Hansruedi Bienz, Einfache Gesellschaft Dreier). The exceptions granted were also applied by the Board of Directors in the 2015 reporting period. Repeal of the registration restrictions requires the approval of the Annual General Meeting by at least two-thirds of the shares voted. 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 of Adval Tech Holding AG's Articles of Incorporation meet the legal requirements (Swiss Code of Obligations Art. 704).

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 who are entered with voting rights in the shareholders' register at least 14 days prior to the annual general meeting are entitled to vote at the meeting. The anticipated deadline for registration before the Annual General Meeting of May 19, 2016 is tentatively set for May 9, 2016.

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 amended on 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 General Meeting with a written authorization. If the Company has no independent proxy, the Board of Directors appoints the independent proxy for the next 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. A recall by the General Meeting is effective at the end of that General Meeting.

Proxy authorizations and instructions may only be issued for the upcoming 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.

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

At the General Meeting of May 21, 2015 the law and notary firm of Muntwyler von May Notare in Bern und Ittigen was re-elected as independent proxy for the period up to the adjournment of the next Annual General Meeting. The law and notary firm of Muntwyler von May Notare is independent.

For the upcoming Annual General Meeting of May 19, 2016, 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 General Meeting. The Company allows shareholders to send their voting instructions for General Meetings to the independent proxy in electronic form using the eComm platform ([www.ecomm-portal.ch](http://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 General Meeting.

#### **Change of control and defensive measures**

The Articles of Incorporation of Adval Tech Holding AG include no provisions for "opting-out" or "opting-up" upon reaching the legal value threshold. Moreover, the contracts of employment of directors and officers do not include any clauses relating to change of control.

### **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 fiscal year 2015 by the Annual General Meeting of May 21, 2015. The lead auditor is Hanspeter Gerber (since the 2010 Annual General Meeting). Total auditing fees invoiced by PricewaterhouseCoopers AG in 2015 came to CHF 406,000 (previous year: CHF 482,000).

The following fees were also paid to PricewaterhouseCoopers AG in 2015:

<b>Additional fees (in CHF)</b>	<b>2015</b>	<b>2014</b>
Tax consulting	91,000	95,000
Cooperation projects	0	67,000
<b>Total fees</b>	<b>91,000</b>	<b>162,000</b>

The auditors report their audit findings in writing 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, the Group management, and when necessary, with the Board of Directors as a whole. The auditors also attended all three meetings of the Audit Committee in 2015 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, their understanding of the business units and the company's specific business risks, cooperation with the Audit Committee and Group 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 under 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. CEO René Rothen, CFO Markus Reber and Head of HR/Corporate Communication Valeria Poretti-Rezzonico are available to these target groups as the persons to contact directly. Adval Tech publishes its results in an annual report and a semi-annual report, and also in press releases. A results 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 Commercial Gazette (SOCG). 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. This can be accessed at [www.six-exchange-regulation.com/admission/listing\\_en.html](http://www.six-exchange-regulation.com/admission/listing_en.html). Detailed information regarding disclosure reports can be accessed at

[www.six-exchange-regulation.com/publications/published\\_notifications/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/publications/published_notifications/major_shareholders_en.html).  
[www.six-exchange-regulation.com/de/home/regulation/issuer.html](http://www.six-exchange-regulation.com/de/home/regulation/issuer.html).

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 with the company's shares by the Board of Directors and Group management are published regularly at [www.six-swiss-exchange.com/shares/companies/management\\_transactions\\_en.html](http://www.six-swiss-exchange.com/shares/companies/management_transactions_en.html).

The press releases published by the company, the Articles of Incorporation and the regulations governing the organization and conduct of business of Adval Tech Holding AG can be accessed on the Internet at [www.advaltech.com](http://www.advaltech.com). Direct link for press releases: [www.advaltech.com/en/group/media/press-releases](http://www.advaltech.com/en/group/media/press-releases)

Direct link for the Articles of Incorporation and Organizational Regulations: [www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules](http://www.advaltech.com/en/group/about-adval-tech/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](http://www.advaltech.com/en/group/news/newsletter)

### Contact

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### Key dates

General meeting of shareholders:  
 Thursday, May 19, 2016, Bern

Announcement of semi-annual results:  
 End of August 2016



# REMUNERATION REPORT

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This remuneration report for the 2015 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 information presented is accurate as at the balance sheet date of December 31, 2015 and is based on the Company's Articles of Incorporation as amended on May 21, 2015 and its Organizational Rules of March 28, 2014.

## 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 each been separately proposed for approval by the 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 fiscal year following the General Meeting;
- c) the total variable compensation of the Group Executive Management (retrospectively) for the fiscal year preceding the 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 General Meeting for approval. Should the 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 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 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 General Meeting has approved the maximum amount of fixed compensation to be paid for the fiscal year following the 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 Annual General Meeting of May 21, 2015 approved comprehensive amendments and additions to Adval Tech Holding AG's Articles of Incorporation in connection with the provisions of the Ordinance Against Excessive Compensation in Listed Companies Limited by Shares (ERCO). 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/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules>

The complete 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 Group Executive Management, and makes its decision based on proposals submitted by the Compensation and Nomination 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 ERCO regulations, the company has formed a Compensation and Nomination Committee in 2014. This consists exclusively of non-executive members of the Board. The General Meeting of May 21, 2015 elected Board members Willy Michel, Michael Pieper and Roland Waibel in individual votes as members of the Compensation and Nomination Committee for the period up to the end of the next Ordinary General Meeting. More details on the Compensation and Nomination Committee can be found in the "Corporate Governance" section on pages 44 and 45 of this Annual Report.

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

Type of compensation	Compensation and Nomination Committee	Compensation and Nomination Committee	Annual Meeting
<b>Board of Directors' compensation</b>			
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	
<b>Group Executive Management compensation</b>			
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 <sup>1)</sup> , variable component) in the prior financial year	Review, recommend	Approve	

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

#### **1. COMPENSATION FOR 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 for 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 Compensation and Nomination 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 consultants or specific studies. In 2015, the Chairman of the Board of Directors received a fixed fee of CHF 60,000, while the Vice Chairman and the other members received a fixed fee of CHF 40,000. For collaboration in the Audit Committee and in the Compensation and Nomination Committee, a fixed fee of CHF 10,000 was paid for the 2015 financial year. The fees of the members of the Board of Directors remained unchanged compared to the previous year. Members of the Board also received a flat fee and a reimbursement for each meeting attended. An attendance fee and a lump sum to cover expenses were paid per day at most, even if several meetings were held on the same day. The rates also remained unchanged year on year.

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.

With effect from 2015, the General Meeting will vote on the total compensation for the Board of Directors. See details in the Governance section on pages 53 and 54 of this remuneration report.

### 1.1 Remuneration of the Board of Directors for 2015 and 2014

The following tables show the compensation paid to the members of the Board of Directors in the 2015 and 2014 financial years.

#### Board of Directors: remuneration for the 2015 financial year (audited figures)

CHF	Position	Basic remuneration <sup>1)</sup>	Other remuneration <sup>2)</sup>	Social insurance contributions	Total	Entertainment expenses <sup>3)</sup>
Dr. h.c. Willy Michel <sup>5)</sup>	Chairman	70,000	4,000	0	74,000	4,000
Michael Pieper <sup>5)</sup>	Vice Chairman	50,000	4,000	2,455	56,455	3,200
Hans Dreier <sup>4)</sup>	Director	50,000	7,000	3,700	60,700	5,600
Dr. Roland Waibel <sup>4) 5)</sup>	Director	60,000	7,000	5,169	72,159	5,600
<b>Total Board of Directors</b>		<b>230,000</b>	<b>22,000</b>	<b>11,314</b>	<b>263,314</b>	<b>18,400</b>

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) Members of the Audit Committee

5) Members of the Nominations and Compensation Committee

The Annual General Meeting of May 21, 2015 approved a maximum total compensation for members of the Board of Directors for their terms up to the 2016 Annual General Meeting in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2015 fiscal year and amount approved by the 2015 AGM for the period through the 2016 AGM (audited table).

CHF	Total compensation in fiscal 2015	Less compensation for the period from Jan. 1, 2015 to the 2015 AGM (5 months)	Plus compensation for the period from Jan. 1, 2016 to the 2016 AGM (5 months)	Total compensation for the period from the 2015 AGM to the 2016 AGM	Maximum total compensation approved at the 2015 AGM	Amount is within maximum limit approved by the 2015 AGM
Total Board of Directors (4 members)	281,714	137,257	137,257	281,714	320,000	Yes

The Board of Directors will propose total compensation for members of the Board of Directors for one term of office (the period from the 2016 AGM to the 2017 AGM) to the Annual General Meeting of May 19, 2016 in the amount of CHF 320,000.

#### Board of Directors: remuneration for the 2014 financial year (audited figures)

CHF	Position	Basic remuneration <sup>1)</sup>	Other remuneration <sup>2)</sup>	Social insurance contributions	Total	Entertainment expenses <sup>3)</sup>
Dr. h.c. Willy Michel <sup>5)</sup>	Chairman	65,000	4,000	0	69,000	4,000
Michael Pieper <sup>5)</sup>	Vice Chairman	45,000	4,000	2,157	51,157	3,200
Leonardo Attanasio	Director until 05/22/2014	20,000	2,000	0	22,000	1,600
Hans Dreier <sup>4)</sup>	Director	50,000	7,000	4,104	61,104	5,600
Dr. Roland Waibel <sup>4) 5)</sup>	Director	55,000	7,000	4,836	66,836	5,600
<b>Total Board of Directors</b>		<b>235,000</b>	<b>24,000</b>	<b>11,097</b>	<b>270,097</b>	<b>20,000</b>

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) Members of the Audit Committee

5) Members of the Nominations and Compensation Committee (from second half of 2014)

The difference in total compensation of the Board of Directors between the 2015 reporting period and the previous year is due largely to the change in the number of Board members during the 2014 reporting period. In addition, committee members received compensation for the full year in the 2015 period; in 2014 they received compensation only in the second half.

## 2. REMUNERATION OF MEMBERS OF GROUP EXECUTIVE MANAGEMENT

The total compensation for members of 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, in 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 consultants were used to establish compensation for members of the Group Executive Management either in the 2015 reporting period or in the previous year. The members of the Group Executive Management do not attend the portion of the meeting of the Board of Directors in which compensation is discussed.

### **2.1 Modifications to the compensation system for Group Executive Management in the 2015 reporting period**

In light of the transformation process that the Adval Tech Group was undergoing in 2013 and 2014, the Board of Directors opted to set only a single target for determining variable compensation. For the 2014 fiscal year, operating earnings before interest and taxes (EBIT) was chosen as the target figure for determining variable compensation, in order to link the total compensation of Group Executive Management members to attainment of the agreed financial results.

For the 2015 fiscal year the Board of Directors elected to set two targets for determining variable compensation for Group Executive Management members:

- a) operating earnings before interest and taxes (EBIT), and
- b) inventories as a fixed percentage of the corporation's total income.

No additional individual targets were set either in fiscal year 2015 or 2014.

### **2.2 Fixed component of total compensation**

The base 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. Using this basis, the amount of the base salary and benefits are reviewed annually by the Board of Directors upon the proposal of the Appointments and Compensation Committee and fixed at the Board's discretion. Where applicable, the base salary and benefits are adjusted for the following year upon the proposal of the Appointments and Compensation Committee.

### **2.3 Variable performance-based component of total compensation**

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

In 2015 the CEO's target bonus was 56% and that of the other Group Executive Management members was 41% of the base salary (previous year: 55% for the CEO and from 12% to 41% for the other members).

To determine the actual bonus, the degree of attainment of the following two financial targets was established in the 2015 reporting period:

- 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 fraction 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%) is used as basis for a linear proportionate calculation 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, 2015 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

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 calculated based on the average price of 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 actual variable component of the remuneration can range from zero to 112% of the fixed component.

For fiscal year 2015, members of the Group Executive Management are to receive 80% of the variable component in cash (CHF 502,949) and 20% in shares (CHF 122,397). The corresponding figures for 2014 were 81% cash (CHF 583,595) and 19% in shares (CHF 135,160).

In the year under review, the actual variable compensation in relation to base compensation is 67% for the CEO and 52% for the other members of Group Executive Management (previous year: 73% for the CEO and from 20% to 55% for other members).

#### 2.4 Compensation paid to Group Executive Management for fiscal years 2015 and 2014

The following table shows the fixed and variable compensation and total compensation paid to Group Executive Management for 2015 and 2014.

### Compensation paid to Group Executive Management for fiscal years 2015 and 2014 (audited figures)

CHF	2015		2014	
	Group Management (4 members)	Of which highest single compensation payment <sup>1)</sup>	Group Management (5 members <sup>4)</sup>	Of which highest single compensation payment <sup>1)</sup>
Basic remuneration in cash	1,098,000	360,000	1,339,081	360,000
Other fixed remuneration in cash <sup>2)</sup>	37,965	8,146	74,155	8,146
Other fixed remuneration in cash	322,716	103,519	316,550	101,960
<b>Total fixed remuneration</b>	<b>1,458,681</b>	<b>471,665</b>	<b>1,729,786</b>	<b>470,106</b>
Variable remuneration in cash	502,949	193,493	583,595	204,941
Share-based remuneration <sup>3)</sup>	122,397	49,048	135,160	53,000
<b>Total variable remuneration</b>	<b>625,346</b>	<b>242,541</b>	<b>718,755</b>	<b>257,941</b>
<b>Total management remuneration</b>	<b>2,084,027</b>	<b>714,206</b>	<b>2,448,541</b>	<b>728,047</b>
Entertainment expenses	64,800	18,000	64,800	18,000

1) René Rothen, CEO

2) Company cars, child allowances, long service awards, compensation for housing costs abroad (2014)

3) Allocation of shares in Adval Tech Holding AG as described in chapter 2.3 on page 58 and note 22 on page 90 of the financial report.

4) One member of Group Executive Management resigned his post effective December 31, 2014 and assumed the position of General Manager of an Adval Tech Group subsidiary.

The difference in total compensation for Group Executive Management in the 2015 reporting period compared to the previous year is due primarily to the change in the number of members (four in 2015 compared to five in 2014). In addition, variable compensation was lower, due in part to the change in the targets on which variable compensation had been based for the previous year.

The Annual General Meeting of May 21, 2015 approved a maximum fixed total compensation for members of Group Executive Management in the amount of CHF 1,590,000. The corresponding fixed compensation figures for 2016 and a statement of the amount actually paid as compared with the amount approved by the General Meeting will be included in the 2016 Compensation Report.

For the 2017 fiscal year, the Board of Directors will propose a maximum fixed compensation total of CHF 1,625,000 for members of the Group Executive Management to the Annual General Meeting of May 19, 2016 for approval.

Concurrently, the Board of Directors will propose a figure of CHF 625,346 for total variable compensation for members of Group Executive Management for the 2015 fiscal year to the Annual General Meeting of May 19, 2016 for approval (see table for 2015 above in "Compensation paid to Group Executive Management for fiscal years 2015 and 2014.")

### 3. BENEFITS AND CONTRACTUAL CONDITIONS ON LEAVING THE COMPANY

Contracts of employment with the members of Group Executive Management do not include any exceptionally long terms of notice. The contracts may be temporary for up to twelve months; the maximum notice period for permanent contracts is twelve months. In the 2015 reporting period, termination notice periods for permanent employment contracts of Group Executive Management members were unchanged, ranging from six to twelve months.

The five-year vesting period for shares allotted as part of the variable remuneration is not cancelled when members of Group Executive Management step down. Contracts of employment with directors and officers or other members of management holding key posts in the company do not contain any clauses on changes of control.

#### **4. SHARE OWNERSHIP**

As at December 31, 2015, 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	Function	12/31/2015 (Number)	12/31/2014 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	172,674	172,674
Michael Pieper	Vice Chairman of the Board	156,686	156,686
Hans Dreier	Director / Head IT/Logistics/Legal	13,292	13,138
Dr. Roland Waibel	Director	200	200
René Rothen	CEO	626	331
Markus Reber	CFO	328	174
Valeria Poretti-Rezzonico	Head Corporate HR/Communication	275	121

The increase in shareholdings of the Group Executive Management is due to the shares granted in 2015 under the bonus program.

#### **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.

#### **6. COMPENSATION FOR FORMER DIRECTORS AND OFFICERS**

No compensation was paid to former members of governing bodies in the 2015 reporting period.

After he left the Adval Tech Group in December 2012, Jean-Claude Philipona, former CEO, continued to hold the role of Chairman of the Board of Trustees of the Pension Fund of Adval Tech Holding AG until the end of March 2014 at the request of the Board of Directors. In the 2014 financial year, the company paid Jean-Claude Philipona the sum of CHF 9,000 for this work. Payment was made to Philipona Consulting GmbH.

During the 2014 financial year, Leonardo Attanasio received total compensation worth CHF 23,600 for his work as member of the Board of Directors until the end of the Ordinary General Meeting on May 22, 2014 (he retired from the Board of Directors due to his age). This figure was made up of basic salary, attendance fees and a lump-sum expense allowance for two Board meetings (see also table "Board of Directors: remuneration for the 2014 financial year" of this remuneration report).



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

We have audited the remuneration report of Adval Tech Holding AG for the year ended 31 December 2015. 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 55 to 60 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.

*Opinion*

In our opinion, the remuneration report of Adval Tech Holding AG for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Hanspeter Gerber

Audit expert  
Auditor in charge

Bern, 15 April 2016

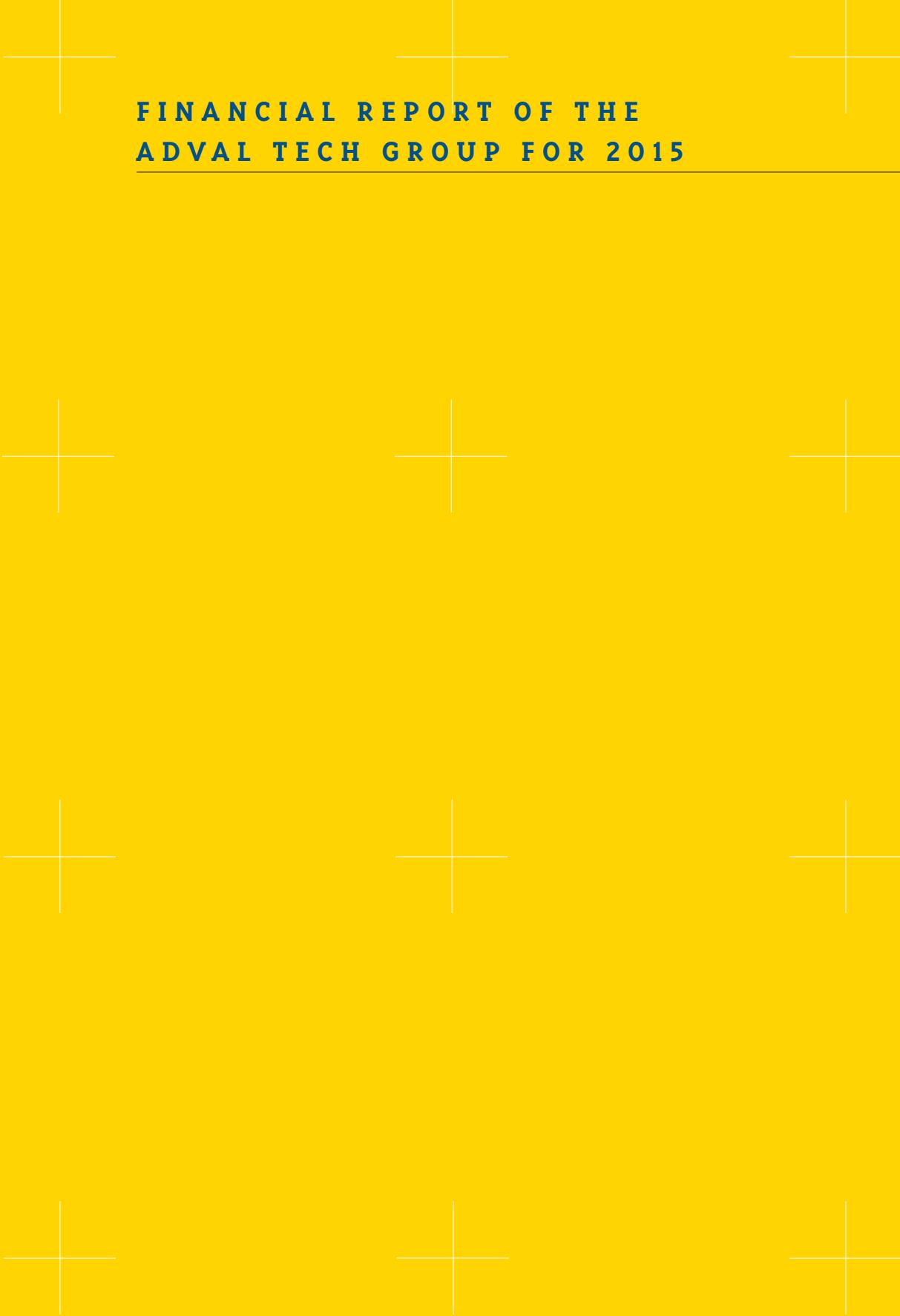
Mario Andenmatten

Audit expert

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**FINANCIAL REPORT OF THE  
ADVAL TECH GROUP FOR 2015**

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## CONSOLIDATED BALANCE SHEET

CHF 1,000	Notes	12/31/2015	12/31/2014
Liquid assets	5	15,990	19,158
Trade accounts receivable	6	37,587	42,676
Other receivables	7, 36	5,958	6,221
Advance payments to suppliers		1,322	2,293
Inventories and work in progress	8	43,500	44,817
Prepaid expenses and accrued income	9	2,118	1,589
<b>Total current assets</b>		<b>106,475</b>	<b>116,754</b>
Tangible fixed assets	10	76,149	85,670
Financial assets	11	5,926	4,981
Intangible assets	12	9,700	8,573
Assets from employer's contribution reserves	27	996	2,135
Deferred tax assets	21	1,947	2,353
<b>Total non-current assets</b>		<b>94,718</b>	<b>103,712</b>
<b>Total assets</b>		<b>201,193</b>	<b>220,466</b>
Trade accounts payable	13	15,840	24,705
Short-term interest-bearing liabilities	14, 16	14,326	6,443
Other short-term liabilities	15, 36	21,799	19,514
Prepaid income and accrued expenses	17	13,457	14,299
Short-term provisions	20	1,208	1,325
Accrued current income taxes		406	1,388
<b>Total short-term liabilities</b>		<b>67,036</b>	<b>67,674</b>
Long-term interest-bearing liabilities	16, 18	61,589	76,460
Other long-term liabilities		1,746	904
Long-term provisions	20	3,202	3,481
Deferred tax liabilities	21	3,009	3,483
<b>Total long-term liabilities</b>		<b>69,546</b>	<b>84,328</b>
<b>Total liabilities</b>		<b>136,582</b>	<b>152,002</b>
Share capital	22	14,600	14,600
Capital reserves		146,809	146,809
Treasury shares		-96	-99
Goodwill offset		-53,695	-53,695
Translation differences		-10,103	-5,647
Hedging transactions		0	0
Retained earnings/accumulated losses		-32,904	-33,504
<b>Total shareholders' equity</b>		<b>64,611</b>	<b>68,464</b>
<b>Total liabilities and shareholders' equity</b>		<b>201,193</b>	<b>220,466</b>

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	2015	2014
Net sales from goods and services		160,626	190,377
Income from manufacturing orders (valued using the percentage-of-completion method)		54,611	49,235
<b>Net turnover</b>	23, 33	<b>215,237</b>	<b>239,612</b>
Change in inventories of semi-finished and finished goods		2,933	374
Own work capitalized		2,219	1,385
Other operating income	24	3,952	5,610
<b>Total income</b>	30	<b>224,341</b>	<b>246,981</b>
Cost of materials and services	25	-94,975	-106,241
Personnel expenses	26	-73,934	-81,228
Other operating expenses	28	-31,048	-36,207
<b>Operating expenses</b>		<b>-199,957</b>	<b>-223,676</b>
<b>Operating earnings before depreciation (EBITDA)</b>		<b>24,384</b>	<b>23,305</b>
Depreciation on tangible fixed assets	10	-13,259	-13,102
Amortization on intangible fixed assets	12	-1,289	-1,340
<b>Depreciation</b>		<b>-14,548</b>	<b>-14,442</b>
<b>Operating earnings (EBIT)</b>		<b>9,836</b>	<b>8,863</b>
Financial income	29	4,674	2,004
Financial expenses	29	-11,574	-6,191
<b>Net financial income</b>		<b>-6,900</b>	<b>-4,187</b>
<b>Ordinary result</b>		<b>2,936</b>	<b>4,676</b>
Extraordinary result	30	-403	-491
Non-operating result		0	0
<b>Net result before income taxes</b>		<b>2,533</b>	<b>4,185</b>
Income taxes	31	-1,933	-2,293
<b>Net result after income taxes</b>		<b>600</b>	<b>1,892</b>
<b>Net result after income taxes per share (CHF)<sup>1)</sup></b>	32	<b>0.82</b>	<b>2.59</b>

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

	Share capital CHF 1,000	Capital reserves	Treasury shares	Share of goodwill offset	Translation difference	Ret. earnings acc. losses	Total share-holders' equity
<b>At January 1, 2014</b>	<b>14,600</b>	<b>146,809</b>	<b>0</b>	<b>-53,695</b>	<b>-8,048</b>	<b>-35,396</b>	<b>64,270</b>
Net result after income taxes	0	0	0	0	0	1,892	1,892
Translation differences	0	0	0	0	2,401	0	2,401
Increase/decrease in share capital	0	0	0	0	0	0	0
Change resulting from sales of investments	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Purchase/sale of treasury shares	0	0	-99	0	0	0	-99
<b>At December 31, 2014</b>	<b>14,600</b>	<b>146,809</b>	<b>-99</b>	<b>-53,695</b>	<b>-5,647</b>	<b>-33,504</b>	<b>68,464</b>
Net result after income taxes	0	0	0	0	0	600	600
Translation differences	0	0	0	0	-4,456	0	-4,456
Increase/decrease in share capital	0	0	0	0	0	0	0
Change resulting from sales of investments	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Purchase/sale of treasury shares	0	0	3	0	0	0	3
<b>At December 31, 2015</b>	<b>14,600</b>	<b>146,809</b>	<b>-96</b>	<b>-53,695</b>	<b>-10,103</b>	<b>-32,904</b>	<b>64,611</b>

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	2015	2014
<b>Net result after income taxes</b>		<b>600</b>	<b>1,892</b>
Depreciation on tangible fixed assets	10	13,259	13,102
Amortization on intangible assets	12	1,289	1,340
Increase (+) / decrease (-) in long-term and short-term provisions	20	-181	-156
Increase (+) / decrease (-) in provision for deferred income taxes (net position)	19	-154	-508
Gain (-) / loss (+) on sales of tangible fixed assets		-98	-142
Other transactions with no impact on liquidity		4,396	1,561
<i>Cash flow from operating activities before change in net current assets</i>		<i>19,111</i>	<i>17,089</i>
Increase (-) / decrease (+) in receivables		4,593	833
Increase (-) / decrease (+) in inventories		-1,621	-6,467
Increase (-) / decrease (+) in prepaid expenses and accrued income		-405	2,953
Increase (+) / decrease (-) in trade accounts payable		-5,291	-2,702
Increase (+) / decrease (-) in other short-term liabilities, prepaid income and accrued expenses		2,336	-2,670
<b>Cash flow from operating activities</b>		<b>18,723</b>	<b>9,036</b>
Capital expenditure	10	-9,216	-6,955
Income from sales of tangible fixed assets	10	209	671
Investments in financial assets	11	-2,538	-2,035
Income from sales of financial assets	11	0	0
Investments in intangible assets	12	-2,194	-1,000
Income from sales of intangible assets	12	0	0
Net cash inflow from divestments		0	3,091
<b>Cash used for investing activities</b>		<b>-13,739</b>	<b>-6,228</b>
<b>Free cash flow</b>		<b>4,984</b>	<b>2,808</b>
Dividend paid		0	0
Capital contributions (repayments)		0	0
Purchase (-) / sale (+) of treasury shares		-142	-99
Raise of loans from rescheduling		0	0
Repayment of loans from rescheduling		0	0
Increase (+) / decrease (-) in short-term interest-bearing liabilities	13	7,873	-80,398
Increase (+) / decrease (-) in long-term interest-bearing liabilities	17	-14,808	77,343
<b>Cash flow from financing activities</b>		<b>-7,077</b>	<b>-3,154</b>
Translation differences		-1,075	541
<b>Changes in liquid assets</b>		<b>-3,168</b>	<b>195</b>
Liquid assets on December 31		15,990	19,158
Liquid assets on January 1		19,158	18,963
Changes in liquid assets		-3,168	195

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

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## 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 Recommendation. The consolidated financial statements provide a true and fair view of the company's financial position, results of operations and cash flows.

The amendments to Swiss GAAP FER that took effect on January 1, 2015 had no impact on the Adval Tech Group's recognition principles. However, disclosures were adjusted and expanded in accordance with Swiss GAAP FER 31.

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. This excludes derivative financial instruments 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), 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 at 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. In such cases the interests can optionally be stated in the balance sheet at fair value or as a proportion of the value of the net assets of the company acquired. Accounts receivable, accounts payable, income and expenses between Group companies are mutually 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 holding 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 sales proceeds from investments subject to specific conditions will only be applied if they are likely to be paid on the balance sheet date and can be reliably estimated.

The companies included in the consolidation and the exchange rates applied are listed in explanatory note 3 to the consolidated financial statements.

### **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 amounting to less than CHF 10,000, which have been not depreciated individually, the credit risk is accounted for according to 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 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 in the nature of 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 at manufacturing cost or maximum realizable value of their benefits as development costs and amortized over their expected useful life, not exceeding 10 years, if their earnings potential can be reliably estimated.

Other discernible intangible assets arising from acquisitions, such as customer relationships or orders in hand, are stated in the balance sheet at market value as "Other intangible assets". These are amortized over their expected useful life using the straight-line method. In the case of capitalized development costs this is 5 to 10 years. In the case of other intangible assets it is 4 to 10 years.

**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 useful value of an asset, which corresponds to the net present value of the estimated future cash flow.

**1.14 Current 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 non-current 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 financial benefit or financial liability.

Provisions are made for further benefit claims by employees, such as claims to long-service bonuses based on 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 uniform valuation of assets and liabilities on January 1, 1996, is posted to capital reserves. The initial 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 shares 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 income from deliveries 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 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 Group Executive Management and other members of supervisory staff 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 accrued as personnel expenses. 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 lending to 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 balancing 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 sales, 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	Corporate profit after income taxes plus depreciation and amortization plus or minus change in current and non-current provisions, change in provisions for deferred income taxes, proceeds from disposal of property, plant and equipment, other non-cash transactions.
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	100%
Styner+Bienz FormTech AG	Niederwangen, Switzerland	TCHF	3,050	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
Styner+Bienz US Inc.	Cleveland, OH, USA	TUSD	1	100%
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TMXN	50	100%
Adval Tech (Hungary) Kft.	Szekszárd, Hungary	TEUR	1,900	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	TTHB	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%
FOBOHA (Switzerland) AG	Muri (AG), Switzerland	TCHF	600	100%
FOBOHA Holding GmbH	Haslach, Germany	TEUR	25	100%
FOBOHA (Germany) GmbH	Haslach, Germany	TEUR	512	100%
FOBOHA (US) Inc.	Beverly, MA, USA	TUSD	1	100%
FOBOHA (Suzhou) Co. Ltd	Suzhou, China	TUSD	7,720	100%
Omni Engineering Shanghai Co. Ltd	Shanghai, China	TUSD	2,800	100%

Adval Tech (Mexico) S.A. de C.V. was founded as a new company in the year under review and commenced operations in the second half of 2015. Its main activity is supplying plastic components to the automotive industry in Mexico. QSCH Kft was renamed Adval Tech (Hungary) Kft. in the year under review as part of the brand strategy.

With the exception of renamings, there were no changes in the scope of consolidation during the previous year.

#### Exchange rates

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

	On Dec. 31, 2015	Average in 2015	On Dec. 31, 2014	Average in 2014
BRL	0.25369	0.29290	0.36820	0.38970
CNY	0.15265	0.15450	0.16078	0.14890
EUR	1.08261	1.06800	1.20272	1.21460
HKD	0.12784	0.12410	0.12753	0.11800
THB	0.02744	0.02810	0.03001	0.02820
USD	0.99081	0.96230	0.98938	0.91520

## 5. LIQUID ASSETS

Liquid assets include:

CHF 1,000	12/31/2015	12/31/2014
Cash	34	30
Postal account	52	38
Banks	14,923	18,519
Short-term deposits	981	571
<b>Total liquid assets</b>	<b>15,990</b>	<b>19,158</b>

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

## 6. TRADE ACCOUNTS RECEIVABLE

1,000 CHF	12/31/2015	12/31/2014
<b>Total trade receivables (gross)</b>	<b>38,533</b>	<b>43,676</b>
Impairment charges (allowance for doubtful receivables)	-946	-1,000
<b>Total trade receivables (net)</b>	<b>37,587</b>	<b>42,676</b>
of which: trade receivables from third parties	37,587	42,566
of which: trade receivables from related parties	0	110

CHF 7.4 million of receivables was delinquent on the balance sheet date (previous year: CHF 10.9 million), of which CHF 3.5 million by more than 30 days (previous year: CHF 4.6 million).

In the past three years losses on receivables have been in the region of 0.1% of total income.

Provision on the receivables is as follows:

CHF 1,000	2015	2014
<b>Total on January 1</b>	<b>-1,000</b>	<b>-1,464</b>
Provision made	-124	-83
Utilized	86	434
Released	59	149
Changes in the scope of consolidation	0	0
Currency translation differences	33	-36
<b>Total on December 31</b>	<b>-946</b>	<b>-1,000</b>

**7. OTHER RECEIVABLES**

CHF 1,000	12/31/2015	12/31/2014
Positive fair values of derivative financial instruments	1	3
Others	5,957	6,218
<b>Total other receivables</b>	<b>5,958</b>	<b>6,221</b>

**8. INVENTORIES AND WORK IN PROGRESS**

CHF 1,000	12/31/2015	12/31/2014
Trading goods	7,988	7,474
Raw material	4,405	5,482
Semi-finished and finished goods	22,502	24,979
Work in progress long-term orders	16,157	16,614
Work in progress other orders	8,747	8,272
Provisions	-16,299	-18,004
<b>Total inventories and work in progress</b>	<b>43,500</b>	<b>44,817</b>

Total inventories and work in progress includes CHF 2.3 million stated at net realizable value (previous year: CHF 1.8 million). Both segments contributed to the reduction in inventories and work in progress.

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

CHF 1,000	12/31/2015		12/31/2014	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term orders	28,062	-11,905	26,247	-9,633
Advanced payments by customers	-11,905	20,602	-9,633	21,315
Net assets from work in progress long-term orders	16,157	0	16,614	0
Net liabilities from work in progress long-term orders	0	8,697	0	11,682

The manufacturing costs of orders valued using the percentage-of-completion method totaled CHF 20.6 million (CHF 20.8 million in 2014). The stated profit was CHF 6.2 million (CHF 5.3 million in 2014). Advance payments by customers for work in progress on other orders have also been offset against inventories.

CHF 1,000	12/31/2015		12/31/2014	
	Assets	Liabilities	Assets	Liabilities
Work in progress other orders	9,317	-570	8,829	-557
Advanced payments by customers	-570	8,311	-557	3,485
Net assets from work in progress other orders	8,747	0	8,272	0
Net liabilities from work in progress other orders	0	7,741	0	2,928

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

## 9. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income amounted to CHF 2.1 million in the year under review, CHF 0.5 million higher than the previous year's figure (CHF 1.6 million). The increase in prepaid expenses and accrued income took place in the Components segment and was in decline in the subsidiaries.

## 10. TANGIBLE FIXED ASSETS

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

CHF 1,000	Land	Buildings	Production equipment and machinery	Other tangible assets	Leased equipment	Installations under construction	Total
<b>at cost</b>							
<b>at January 1, 2014</b>	<b>4,795</b>	<b>67,675</b>	<b>146,919</b>	<b>33,877</b>	<b>7,028</b>	<b>1,636</b>	<b>261,930</b>
Changes in the scope of consolidation	0	0	0	0	0	0	0
Capital expenditure	0	699	5,624	1,704	171	3,447	11,645
Disposals	0	-1,400	-7,087	-2,201	-148	-404	-11,240
Other changes/transfers	0	31	231	1,636	0	0	1,898
Change in acc. translation difference	-21	205	1,853	-37	108	0	2,108
<b>at December 31, 2014</b>	<b>4,774</b>	<b>67,210</b>	<b>147,540</b>	<b>34,979</b>	<b>7,159</b>	<b>4,679</b>	<b>266,341</b>
Changes in the scope of consolidation	0	0	0	0	0	0	0
Capital expenditure	0	487	7,825	1,152	169	-2,444	7,189
Disposals	0	-1,775	-2,683	-714	0	-31	-5,203
Other changes/transfers	0	0	0	0	0	0	0
Change in acc. translation difference	-108	-1,777	-7,148	-1,675	2	-232	-10,938
<b>at December 31, 2015</b>	<b>4,666</b>	<b>64,145</b>	<b>145,534</b>	<b>33,742</b>	<b>7,330</b>	<b>1,972</b>	<b>257,389</b>
<b>Accumulated depreciation</b>							
<b>at January 1, 2014</b>	<b>0</b>	<b>-34,620</b>	<b>-107,681</b>	<b>-26,304</b>	<b>-5,861</b>	<b>0</b>	<b>-174,466</b>
Changes in the scope of consolidation	0	0	0	0	0	0	0
Depreciation	0	-2,463	-7,869	-2,345	-425	0	-13,102
Disposals	0	1,381	7,017	2,149	148	0	10,695
Other changes/transfers	0	-31	-231	-1,636	0	0	-1,898
Change in acc. translation difference	0	-348	-1,463	19	-108	0	-1,900
<b>at December 31, 2014</b>	<b>0</b>	<b>-36,081</b>	<b>-110,227</b>	<b>-28,117</b>	<b>-6,246</b>	<b>0</b>	<b>-180,671</b>
Changes in the scope of consolidation	0	0	0	0	0	0	0
Depreciation	0	-2,301	-8,318	-2,146	-494	0	-13,259
Disposals	0	1,730	2,676	684	0	0	5,090
Other changes/transfers	0	0	0	0	0	0	0
Change in acc. translation difference	0	564	5,732	1,306	-2	0	7,600
<b>at December 31, 2015</b>	<b>0</b>	<b>-36,088</b>	<b>-110,137</b>	<b>-28,273</b>	<b>-6,742</b>	<b>0</b>	<b>-181,240</b>

	Land	Buildings	Production equipment and machinery	Other tangible assets	Leased equipment	Installations under construction	Total
CHF 1,000							
<b>Book values</b>							
at January 1, 2014	4,795	33,055	39,238	7,573	1,167	1,636	87,464
at December 31, 2014	4,774	31,129	37,313	6,862	913	4,679	85,670
at December 31, 2015	4,666	28,057	35,397	5,469	588	1,972	76,149
<b>Of which leased installations (finance Lease)</b>							
at January 1, 2014	0	0	0	0	0	0	0
at December 31, 2014	0	0	0	0	0	1,380	1,380
at December 31, 2015	0	0	1,232	0	0	0	1,232

As in the previous year, there were no tangible assets set for disposal at the balance sheet date.

The Adval Tech Group has no undeveloped real estate available.

Orders totaling CHF 0.5 million were outstanding on December 31, 2015, for capital goods which had not yet been delivered or invoiced and were therefore not yet included in tangible fixed assets (CHF 0.1 million in 2014).

As at December 31, 2015, installations under construction included CHF 0.3 million in advance payments for tangible fixed assets (previous year: CHF 0.2 million).

## 11. 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 volume component manufacture. Amortization payments usually depend on the number of components delivered per period, with a minimum amount agreed for all amortization payments.

CHF 1,000	12/31/2015	12/31/2014
Receivables from finance lease contracts	5,370	4,516
Other long-term receivables	556	449
Long-term loans	0	16
<b>Total financial assets</b>	<b>5,926</b>	<b>4,981</b>

The increase in receivables from finance leases is attributable to the Components Segment.

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

CHF 1,000	12/31/2015	12/31/2014
within 1 year	866	427
in 2 to 5 years	5,370	4,516
<b>Total future leasing income</b>	<b>6,236</b>	<b>4,943</b>

The nominal value of these credits totals CHF 7.5 million (CHF 5.0 million in 2014).

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

## 12. INTANGIBLE ASSETS

The following statement of changes in intangible assets applies for 2015:

CHF 1,000	Capitalized development costs	Others	Total
<b>at cost</b>			
<b>at December 31, 2014</b>	<b>12,189</b>	<b>4,760</b>	<b>16,949</b>
Changes in the scope of consolidation	0	0	0
Investments acquired	705	0	705
Investments generated in-house	1,750	0	1,750
Disposals	0	1,860	1,860
Change in accumulated translation difference	-76	-37	-113
<b>at December 31, 2015</b>	<b>14,568</b>	<b>6,583</b>	<b>21,151</b>
<b>Accumulated amortization</b>			
<b>at December 31, 2014</b>	<b>-4,497</b>	<b>-3,879</b>	<b>-8,376</b>
Changes in the scope of consolidation	0	0	0
Amortization	-1,011	-278	-1,289
Disposals	0	-1,860	-1,860
Change in accumulated translation difference	48	26	74
<b>at December 31, 2015</b>	<b>-5,460</b>	<b>-5,991</b>	<b>-11,451</b>
<b>Book values</b>			
at December 31, 2014	7,692	881	8,573
at December 31, 2015	9,108	592	9,700

The other intangible assets essentially consist of the value of the customer relationships gained through acquisitions in the Components segment (balance sheet value: CHF 0.6 million as at December 31, 2015, CHF 0.9 million as at December 31, 2014).

Capitalized development costs largely relate to the development of plastic components for further projects of automotive manufacturers in Germany. These developments are in connection with long-term orders for the production of components. They will be amortized over the term of the orders, but for no more than 10 years (see Note 1.11).

The following statement of changes in intangible assets applies for 2014:

CHF 1,000	Capitalized development costs	Others	Total
<b>at cost</b>			
<b>at December 31, 2013</b>	<b>11,740</b>	<b>4,297</b>	<b>16,037</b>
Changes in the scope of consolidation	0	0	0
Investments acquired	0	0	0
Investments generated in-house	1,000	0	1,000
Disposals	-540	0	-540
Change in accumulated translation difference	-11	463	452
<b>at December 31, 2014</b>	<b>12,189</b>	<b>4,760</b>	<b>16,949</b>
<b>Accumulated amortization</b>			
<b>at December 31, 2013</b>	<b>-3,694</b>	<b>-3,174</b>	<b>-6,868</b>
Changes in the scope of consolidation	0	0	0
Amortization	-1,009	-331	-1,340
Disposals	200	0	200
Change in accumulated translation difference	6	-374	-368
<b>at December 31, 2014</b>	<b>-4,497</b>	<b>-3,879</b>	<b>-8,376</b>
<b>Book values</b>			
at December 31, 2013	8,046	1,123	9,169
at December 31, 2014	7,692	881	8,573

The goodwill arising from the acquisitions of Adval Tech (Grenchen) AG (formerly Teuscher Kunststoff-Technik AG) (June 1, 2005), Adval Tech (Hungary) Kft. (formerly QSCH Termelő és Kereskedelmi Kft.) (May 1, 2007) and Adval Tech Holdings (Asia) Pte. Ltd (formerly Omni Investors Pte. Ltd) (January 16, 2008) was offset against the equity on the date of acquisition.

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

CHF 1,000	2015	2014
Total at January 1	45,800	41,865
Additions	0	0
Disposals resulting from sale of investments*	0	0
Currency translation differences resulting from sale of investments	0	0
Change in the cumulative currency difference	-323	3,935
<b>Total at December 31</b>	<b>45,477</b>	<b>45,800</b>

\* 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	2015	2014
Total at January 1	-32,827	-25,891
Disposals resulting from sale of investments**	0	0
Currency translation differences resulting from sale of investments	0	0
Simulated depreciation	-4,312	-4,285
Change in accumulated translation difference	130	-2,651
<b>Total at December 31</b>	<b>-37,009</b>	<b>-32,827</b>

\*\* at average exchange rates

The theoretical net book value of the goodwill amounts to:

CHF 1,000	2015	2014
<b>Total at December 31</b>	<b>8,468</b>	<b>12,973</b>

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

CHF 1,000	2015	2014
Net result	600	1,892
Simulated depreciation	-4,312	-4,285
<b>Theoretical net result</b>	<b>-3,712</b>	<b>-2,393</b>
Equity	64,611	68,464
Theoretical value of goodwill	8,468	12,973
<b>Theoretical equity</b>	<b>73,079</b>	<b>81,437</b>

**13. TRADE ACCOUNTS PAYABLE**

The CHF 8.9 million decline in trade accounts payable came primarily from the Components segment, although the Molds segment also reduced its trade accounts payable balance significantly. There were no trade accounts payable to related parties either on December 31, 2015 or at the end of the previous year.

**14. SHORT-TERM INTEREST-BEARING LIABILITIES**

CHF 1,000	12/31/2015	12/31/2014
Banks	14,058	6,185
Short-term leasing liabilities to third parties	268	258
<b>Total short-term interest-bearing liabilities</b>	<b>14,326</b>	<b>6,443</b>

The short-term bank loans are covered by cash and cash equivalents of CHF 16.0 million (previous year: CHF 19.2 million). These are primarily current account overdrafts at interest rates based on LIBOR or EURIBOR. As a result of a new loan agreement being signed in July 2014, the portion of the loan falling due only after 12 months was reclassified from short-term interest-bearing liabilities to long-term liabilities.

**15. OTHER SHORT-TERM LIABILITIES**

CHF 1,000	12/31/2015	12/31/2014
Advance payments by third parties	14,638	14,298
Advance payments by related parties	1,619	312
Other short-term liabilities to third parties	5,542	4,904
<b>Total other short-term liabilities</b>	<b>21,799</b>	<b>19,514</b>

The CHF 0.3 million increase in third-party advances comes from the Components segment. The increase in other short-term liabilities to CHF 5.5 million on December 31, 2015 (previous year: CHF 4.9 million) comes primarily from the toolmaking company in Switzerland.

## 16. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	12/31/2015	12/31/2014
<b>Face value of liabilities arising from leasing contracts due</b>		
within 1 year	292	292
in 2 to 5 years	500	792
in more than 5 years	0	0
<b>Total future payment commitments</b>	<b>792</b>	<b>1,084</b>
less proportionate interest on the payments	-39	-73
<b>Net present value of liabilities arising from finance leases</b>	<b>753</b>	<b>1,011</b>
of which short-term leasing liabilities	268	258
of which long-term leasing liabilities	485	753

The lease liabilities are from the Components segment; they declined by CHF 0.3 million from the previous year to 2015.

## 17. PREPAID INCOME AND ACCRUED EXPENSES

CHF 1,000	12/31/2015	12/31/2014
Accrued expenses	9,133	10,210
Invoices not yet received	4,324	4,089
<b>Total prepaid income and accrued expenses</b>	<b>13,457</b>	<b>14,299</b>

As in the previous year, 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.

## 18. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2015	12/31/2014
Long-term leasing liabilities – third parties	485	753
Long-term interest-bearing liabilities – third parties	61,104	75,707
<b>Total long-term interest-bearing liabilities</b>	<b>61,589</b>	<b>76,460</b>

At the beginning of July 2014, the Group replaced its expired loan agreement with two big Swiss banks with a new agreement with four banks – three in Switzerland and one in Germany. The credit facility was for CHF 75.0 million, after repayment of CHF 10.0 million in total. It has a term of three years. A total of at least CHF 15 million will be amortized by the end of 2016. Two amounts of CHF 5 million each were amortized by December 31, 2015. The loan agreement between the Adval Tech Group and the four banks

is subject to various covenants. These consist of the following key financial indicators: leverage ratio, minimum Group equity and minimum available liquidity. As at the balance sheet date, the covenants provided for in the loan agreement had all been met. A major shareholder of Adval Tech Holding AG provides the lending banks with a guarantee for CHF 25.0 million.

To optimize the financing costs, the loan amount is continually adjusted in line with current financing needs.

## 19. FINANCIAL LIABILITIES

Recognition principles and conditions are shown in the following tables:

Balance at December 31, 2015	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Bank current accounts	14,058	EUR 648	Current	2.98%
Bank loans	1,104	EUR 1,020	4–5 years	1.30%
Lease liabilities, short-term	268	0	Current	3.83%
Lease liabilities, long-term	485	0	4 years	3.83%
Syndicated loan	60,000	0	3 years	2.78%
<b>Total</b>	<b>75,915</b>			

Financial liabilities for 2014 are as follows:

Balance at December 31, 2014	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Bank current accounts	6,185	0	Current	3.64%
Bank loans	707	EUR 588	5 years	1.50%
Lease liabilities, short-term	258	0	Current	3.83%
Lease liabilities, long-term	753	0	4 years	3.83%
Syndicated loan	75,000	0	3 years	2.40%
<b>Total</b>	<b>82,903</b>			

## 20. PROVISIONS

CHF 1,000	Warranty provisions	Payments to employees	Other provisions	Total
Long-term provisions at December 31, 2014	297	1,524	1,660	3,481
Short-term provisions at December 31, 2014	1,325	0	0	1,325
<b>Total at December 31, 2014</b>	<b>1,622</b>	<b>1,524</b>	<b>1,660</b>	<b>4,806</b>
Change in the scope of consolidation	0	0	0	0
Addition	344	52	88	484
Utilization	-200	0	0	-200
Release of provisions no longer required	-173	-44	-248	-465
Difference arising from currency translation	-88	-29	-98	-215
<b>Total at December 31, 2015</b>	<b>1,505</b>	<b>1,503</b>	<b>1,402</b>	<b>4,410</b>
Long-term provisions at December 31, 2015	297	1,503	1,402	3,202
Short-term provisions at December 31, 2015	1,208	0	0	1,208
<b>Total at December 31, 2015</b>	<b>1,505</b>	<b>1,503</b>	<b>1,402</b>	<b>4,410</b>

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.

As at December 31, 2015, the "Other provisions" item included CHF 0.3 million (previous year: CHF 0.4 million) for restructuring projects at various sites, including in Brazil. The item also included provisions for the decommissioning of rented buildings (carrying amount as at December 31, 2015: CHF 0.3 million, December 31, 2014: CHF 0.4 million), CHF 0.2 million for future revenue deductions relating to the financing of a production facility by the customer (previous year: CHF 0.4 million) and provisions for foreign withholding taxes whose refundability is not certain (carrying amount as at December 31, 2015: CHF 0.4 million; previous year: CHF 0.4 million). A further CHF 0.2 million (previous year: CHF 0.3 million) was set aside for other items.

In all cases for which provisions have been made, the probability of occurrences is estimated at above 50%. Provisions are not discounted.

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

CHF 1,000	Warranty provisions	Payments to employees	Other provisions	Total
Long-term provisions at December 31, 2013	0	1,456	1,517	2,973
Short-term provisions at December 31, 2013	1,465	0	465	1,930
<b>Total at December 31, 2013</b>	<b>1,465</b>	<b>1,456</b>	<b>1,982</b>	<b>4,903</b>
Change in the scope of consolidation	0	0	0	0
Addition	764	116	345	1,225
Utilization	-160	-41	-553	-754
Release of provisions no longer required	-458	0	-169	-627
Difference arising from currency translation	11	-7	55	59
<b>Total at December 31, 2014</b>	<b>1,622</b>	<b>1,524</b>	<b>1,660</b>	<b>4,806</b>
Long-term provisions at December 31, 2014	297	1,524	1,660	3,481
Short-term provisions at December 31, 2014	1,325	0	0	1,325
<b>Total at December 31, 2014</b>	<b>1,622</b>	<b>1,524</b>	<b>1,660</b>	<b>4,806</b>

## 21. DEFERRED TAXES

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

CHF 1,000	12/31/2015	12/31/2014
Deferred tax liabilities	3,009	3,483
Deferred tax assets	1,947	2,353
<b>Total</b>	<b>1,062</b>	<b>1,130</b>

Deferred income tax assets and liabilities were 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:

	2015	2014
<b>Average applicable tax rate before considering loss carryforwards</b>	<b>24.8%</b>	<b>24.2%</b>
Impact of deferred tax assets from loss carryforwards	0.9%	-8.6%
<b>Average applicable tax rate after considering loss carryforwards</b>	<b>25.7%</b>	<b>15.6%</b>

CHF 31.0 million in uncapitalized losses was posted in the local financial statements.

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.

Deferred tax assets developed as follows:

CHF 1,000	2015	2014
<b>Total at January 1</b>	<b>2,353</b>	<b>1,450</b>
Change in the scope of consolidation	0	0
Creation	648	1,387
Utilization	-798	-573
Other adjustments	0	1
Translation difference	-256	88
<b>Total at December 31</b>	<b>1,947</b>	<b>2,353</b>

The balance relates primarily to capitalized tax loss carryforwards.

Provisions for deferred tax liabilities developed as follows:

CHF 1,000	2015	2014
<b>Total at January 1</b>	<b>3,483</b>	<b>3,189</b>
Change in scope of consolidation	0	0
Additions	406	556
Transfers	-710	0
Release	0	-249
Currency translation differences	-170	-13
<b>Total at December 31</b>	<b>3,009</b>	<b>3,483</b>

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

Tax losses amounting to CHF 149.7 million existing on December 31, 2015 (CHF 126.9 million in 2014), 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	12/31/2015	12/31/2014
expiring in 1 year	22,222	1
expiring in 2 years	17,020	28,899
expiring in 3 years	1,776	16,854
expiring in 4 years	55,701	1,781
expiring in 5 years	8,417	56,105
expiring in more than 5 years	44,613	23,233
<b>Total</b>	<b>149,749</b>	<b>126,873</b>

## 22. STATEMENT OF SHARE CAPITAL

The share capital was as follows on December 31, 2015:

	Registered shares
at January 1, 2015	730,000
at December 31, 2015	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, 2015	638

No shares were reserved for issue in respect of options or sales agreements in the year under review. The treasury shares 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 Article 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 share capital 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 favor 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 favor 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 with a holding of registered shares exceeding 5% of all share votes when the provisions of the Articles of Incorporation regarding voting restrictions were issued (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. In the reporting period, the Board of Directors converted the exception in favor of Artemis Beteiligungen II AG into an exception in favor of Artemis Beteiligungen I AG. Artemis Beteiligungen II AG was absorbed by Artemis Beteiligungen I AG. 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:

	2015	2014
<b>Treasury shares held at January 1</b>	<b>500</b>	<b>0</b>
Purchases (shares)	895	500
Sales (shares)	0	0
Issued to employees (shares)	-757	0
<b>Treasury shares held at December 31</b>	<b>638</b>	<b>500</b>
Average purchase price (CHF)	158	199
Average sale price (CHF)	n.a.	n.a.
Average value for issues (CHF)	192	n.a.

All treasury shares are held by Adval Tech Management AG.

Under the existing remuneration policies, 757 shares were granted to management staff in the year under review as part of their variable compensation (previous year: 0 shares).

Non-distributable reserves in the Group's shareholders' equity amounted to CHF 22.2 million at the end of the year under review (CHF 22.2 million in 2014). Retained earnings do not include any revaluation reserves.

## 23. NET TURNOVER

CHF 1,000	2015	2014
Net income from deliveries and services	161,768	191,454
Income from manufacturing orders (valued using the percentage-of-completion method)	54,611	49,235
Sales deductions	-1,142	-1,077
<b>Total net turnover</b>	<b>215,237</b>	<b>239,612</b>

Net sales for 2015 came to CHF 215.2 million, a decline of CHF 24.4 million. The Components and Molds segments both posted declining sales, due in part to exchange rate effects.

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 turnover from deliveries and services includes the other invoiced deliveries and services.

#### **24. OTHER OPERATING INCOME**

CHF 1,000	2015	2014
Other operating income from third parties	3,837	5,420
Other operating income from related parties	9	10
Gains from sales of tangible fixed assets	106	180
<b>Total other operating income</b>	<b>3,952</b>	<b>5,610</b>

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

#### **25. COST OF MATERIALS AND SERVICES**

The material and service expenses fell by CHF 11.3 million year on year. As a proportion of total income, it declined by 0.7 percentage points to 42.3%. The improved material ratio in the Molds segment wholly offset the moderate rise in the material ratio in the Components segment.

#### **26. PERSONNEL EXPENSES**

The average number of employees declined by 119 FTEs to 1,548 FTEs in 2015 (1,667 FTEs in 2014). The number of employees totalled 1,482 FTEs at the balance sheet date (1,603 FTEs in 2014).

## 27. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

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

CHF 1,000	Nominal value on 12/31/2015	Utilization waiver 12/31/2015	Balance 12/31/2015	Payment/ repayment 2015	Effect on personnel expenses 2015	Effect on financial result 2015
Pension funds excl. surplus/shortfall	996	0	996	0	-1,139	0

In the previous year:

CHF 1,000	Nominal value on 12/31/2014	Utilization waiver 12/31/2014	Balance 12/31/2014	Payment/ repayment 2014	Effect on personnel expenses 2014	Effect on financial result 2014
Pension funds excl. surplus/shortfall	2,135	0	2,135	0	-360	0

Personnel expenses in the year under review were debited with CHF 1.2 million to finance contributions (CHF 0.4 million in 2014), while CHF 0.03 million was credited from interest (CHF 0.04 million in 2014). Interest is calculated on the employer's 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 2015 and 2014 are as follows:

CHF 1,000	Surplus/ shortfall 12/31/2015	Financial share of the organization 12/31/2015	12/31/2014	Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period*	Pension expenses in 2015
Pension fund of Adval Tech Holding AG excl. surplus/shortfall	0	0	0	0	1,558	2,647
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	213	213
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,771</b>	<b>2,860</b>

\* including result from employer's contribution reserves

In the previous year:

	Surplus/ shortfall 12/31/2014	Financial share of the organization		Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period*	Pension expenses in 2014
	CHF 1,000	12/31/2014	12/31/2013			
Pension fund of Adval Tech Holding AG excl. surplus/shortfall	0	0	0	0	2,257	2,697
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	238	238
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,495</b>	<b>2,935</b>

\* including result from employer's contribution reserves

The above data is based on the financial statements of the pension funds at December 31, 2015 (or December 31, 2014), according to 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 Group companies of the Adval Tech Group are members of this pension fund. As at December 31, 2015, the cover ratio was 115% (previous year: 116%). 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 supervisory staff of Adval Tech Holding AG was set up for members of 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.

A life insurance policy is in place for a former member of executive management at a foreign subsidiary that was acquired after he retired in 2002. The provisions for liabilities arising from this at the end of the year under review amount to CHF 0.3 million (CHF 0.4 million in 2014), and are included in the provisions for payments to employees. The redemption value of the policy at December 31, 2015, was CHF 0.3 million (CHF 0.4 million in 2014) and is capitalized in the "Other long-term receivables" item under "Financial assets." The effect of this insurance policy on the consolidated income statement is marginal.

## 28. OTHER OPERATING EXPENSES

CHF 1,000	2015	2014
Maintenance, repair, replacements, operating materials	-12,098	-13,720
Premises, energy	-7,908	-8,562
Insurance, office and administration expenses	-4,656	-5,086
Marketing, sales and distribution expenses	-5,714	-7,610
Sundry operating expenses	-672	-1,229
<b>Total other operating expenses</b>	<b>-31,048</b>	<b>-36,207</b>

Other operating expenses in the reporting period were down by CHF 5.2 million on the year-back figure. In relation to total income, other operating expenses declined from 14.7% in 2014 to 13.8% in the reporting period. The “Sundry operating expenses” line item also includes CHF 0.01 million in losses on the disposal of tangible fixed assets (2014: CHF 0.04 million).

## 29. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1,000	2015	2014
Interest earned	1,112	343
Currency gains	3,496	1,501
Gains on derivative financial instruments	8	9
Other financial income	58	151
<b>Total financial income</b>	<b>4,674</b>	<b>2,004</b>
Interest paid	-2,513	-2,411
Bank charges and fees	-187	-182
Currency losses	-7,109	-2,794
Unrealized translation differences	-1,308	-2
Losses on derivative financial instruments	-4	-4
Other financial expenses	-453	-798
<b>Total financial expenses</b>	<b>-11,574</b>	<b>-6,191</b>
<b>Financial result</b>	<b>-6,900</b>	<b>-4,187</b>

Total currency losses of CHF 3.6 million net had to be posted in the year under review (previous year: CHF 1.3 million).

The significantly higher exchange rate losses compared to the prior-year period are attributable to the Swiss National Bank's decision on January 15, 2015 to remove the EUR-CHF exchange rate floor.

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.

**30. EXTRAORDINARY RESULT**

CHF 1,000	2015	2014
Restructuring measures	-130	-393
Cooperation projects	-282	-215
Result from the sale of investments	17	117
Other extraordinary expenses	-8	0
<b>Total extraordinary result</b>	<b>-403</b>	<b>-491</b>

The extraordinary income figure of CHF -0.4 million for 2015 includes a repayment of CHF 0.1 million in connection with the disposal of investments in Mexico and China. The proceeds were reduced by transaction costs. The restructuring item includes costs of staff reductions associated with restructuring projects.

The extraordinary income figure of CHF -0.5 million in the 2014 reporting period includes a repayment of CHF 0.1 million in connection with the disposal of investments in Mexico and China. The “Restructuring measures” item includes income of CHF 0.1 million from the reversal of provisions not required for the closure of a components production facility in Suzhou, China, and expenses of CHF -0.5 million for current restructuring projects at Group level and in Brazil.

**31. INCOME TAXES**

CHF 1,000	2015	2014
Current income taxes	-2,087	-2,800
Change in provision for deferred taxes	154	507
<b>Total tax expenses</b>	<b>-1,933</b>	<b>-2,293</b>

The change in deferred tax provisions includes CHF -118,000 from capitalized loss carryforwards (previous year: CHF 1.3 million).

## 32. 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.

## 33. SEGMENT REPORTING

The allocation of business activities to the Group's two segments in 2015 is reflected in the following table:

CHF 1,000	Segment Components	Segment Molds	Other units, eliminations	Total
Net turnover from deliveries and services	141,799	18,827	0	160,626
Income from manufacturing orders (valued using the percentage-of-completion method)	4,393	50,218	0	54,611
Net turnover from third parties and related parties	146,192	69,045	0	215,237
Total income from third parties and related parties	152,165	72,067	109	224,341
Intragroup revenues	887	2,349	12,420	15,656
<b>Total income</b>	<b>153,052</b>	<b>74,416</b>	<b>-3,127</b>	<b>224,341</b>
<b>EBITDA</b>	<b>12,254</b>	<b>9,742</b>	<b>2,388</b>	<b>24,384</b>

Figures for 2014:

CHF 1,000	Segment Components	Segment Molds	Other units, eliminations	Total
Net turnover from deliveries and services	156,034	34,343	0	190,377
Income from manufacturing orders (valued using the percentage-of-completion method)	920	48,315	0	49,235
Net turnover from third parties and related parties	156,954	82,658	0	239,612
Total income from third parties and related parties	163,734	83,059	188	246,981
Intragroup revenues	711	3,040	13,623	17,374
<b>Total income</b>	<b>164,445</b>	<b>86,099</b>	<b>-3,563</b>	<b>246,981</b>
<b>EBITDA</b>	<b>10,173</b>	<b>10,959</b>	<b>2,173</b>	<b>23,305</b>

Income by region is as follows:

	CHF 1,000	2015	2014
<b>Net turnover</b>	<b>215,237</b>	<b>100%</b>	<b>239,612</b>
<i>Europe</i>	127,436	59%	132,966
– of which Switzerland	16,251	8%	10,485
– of which Germany	71,993	33%	73,924
– of which France	10,720	5%	15,189
<i>Asia</i>	43,624	20%	53,796
– of which China	16,251	8%	28,471
<i>North America</i>	30,206	14%	33,925
<i>Latin America</i>	12,634	6%	17,009
<i>Australia and Oceania</i>	254	0%	410
<i>Africa</i>	1,083	1%	1,506

Countries are allocated to regions in conformity with the allocation in Swiss National Bank statistics. Net turnover in Switzerland includes CHF 1.2 million of turnover with related parties in the year under review (CHF 1.1 million in 2014).

#### 34. PLEDGED ASSETS

The carrying amount of pledged items of tangible fixed assets amounted to CHF 1.0 million as at December 31, 2015 (previous year: CHF 1.1 million). The pledges listed serve 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.

#### 35. CONTINGENT AND FUTURE LIABILITIES

CHF 1,000	31.12.2015	31.12.2014
Contingent liabilities in favor of third parties	4,344	1,529
Liabilities arising from leases	13,941	12,355
Liabilities arising from operating leases	1,676	912

Contingent liabilities in favor 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 0.3 million (CHF 0.3 million in 2014) within 1 year, CHF 0.5 million (CHF 0.6 million in 2014) within 2 to 5 years.

Future rental payments fall due as follows: CHF 3.0 million (CHF 3.0 million in 2014) within 1 year, CHF 6.2 million (CHF 6.1 million in 2014) in 2 to 5 years, CHF 4.7 million (CHF 3.3 million in 2014) in more than 5 years.

### **36. FINANCIAL INSTRUMENTS**

Market values are calculated on the basis of individual valuations of the open 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, fair values in CHF 1,000) as at December 31, 2015:

Currency	Instrument	Contract value local currency 1,000	Replacement value	
			positive	CHF 1,000 negative
USD	Forward transactions / swap	401	1	0
EUR	Forward transactions / swap	0	0	0
<b>Total</b>		<b>401</b>	<b>1</b>	<b>0</b>

As at the end of 2014, the currency hedges were as follows:

Currency	Instrument	Contract value local currency 1,000	Replacement value	
			positive	CHF 1,000 negative
USD	Forward transactions / swap	45	0	0
EUR	Forward transactions / swap	11,338	3	0
<b>Total</b>		<b>11,383</b>	<b>3</b>	<b>0</b>

The options and forward transactions listed above serve to hedge payments in USD and EUR. They ran until the end of January 2015 at the latest.

The positive replacement values are included in "other receivables" (Note 7).

No interest hedges had been entered into either as at December 31, 2015 or as at December 31, 2014.

The changes in market values are recognized in the income statement.

**37. 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
- Finox AG, Burgdorf
- 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
- AFG Arbonia-Forster Holding AG, Arbon, and the companies of the Arbonia-Forster Group
- Precious Woods Holding AG, Zug, and the companies of the Precious Woods Group
- the members of the Board of Directors and of Group Executive Management, incl. members who left the company in the reporting period
- GEKLA AG, Hergiswil and Rudolf B. Müller
- Hansruedi Bienz, Oberbottigen

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

Turnover of CHF 1.2 million was made with related parties in the year under review (CHF 1.1 million in 2014). Volume parts and components to the value of CHF 0.5 million (CHF 0.7 million in 2014) and molds to the value of CHF 0.7 million (CHF 0.5 million in 2014) were invoiced in 2015.

At the balance sheet date, no receivables from related parties (2014: CHF 0.1 million) existed. Liabilities to related parties (incl. deferrals) totaled to CHF 1.6 million (2014: CHF 0.3 million).

Up to CHF 25.0 million of the syndicated credit facility of CHF 75.0 million (as of end 2014: CHF 25.0 million of the credit facility of CHF 85.0 million) is guaranteed by a major shareholder who is also a member of the Board of Directors (see Note 18). In the context of this guarantee, the Group recognized expenses for a guarantee commission of CHF 0.1 million in 2015 (previous year: CHF 0.2 million).

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

**38. 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 2015 consolidated financial statements.

On March 30, 2016 Adval Tech Holding AG reached an agreement with the owners on the sale of Fischer IMF GmbH & Co. KG in Endingen am Kaiserstuhl, Germany. The transaction is scheduled to be completed within a few weeks. Fischer IMF specializes in press and forming technology for complex metal operations with a focus on the automotive industry. The company currently employs around 280 people and generated

sales of approximately EUR 30 million in 2015. Upon completion of the transaction, Fischer IMF will be fully consolidated with the Adval Tech Group. Adval Tech will acquire 100% of shares in Fischer IMF GmbH & Co. KG. Both parties have agreed not to name the purchase price. The purchase will be financed through a subordinated shareholder loan from a major shareholder.

#### **39. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were released 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 on April 15, 2016.



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

**Report of the statutory auditor on the consolidated financial statements**

As statutory auditor, we have audited the consolidated financial statements of Adval Tech Holding AG, which comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 64 to 100), for the year ended 31 December 2015.

*Board of Directors' responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Hanspeter Gerber

Audit expert  
Auditor in charge

Bern, 15 April 2016

Mario Andenmatten

Audit expert

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# FINANCIAL REPORT OF ADVAL TECH HOLDING AG

## 1. BALANCE SHEET

CHF	Notes	12/31/2015	12/31/2014
<b>Current assets</b>			
Liquid assets		848,611	25,851
Trade accounts receivable		2,702,490	2,597,432
– from third parties		3	13
– from Group companies	2.1	2,702,487	2,597,419
Prepaid expenses and accrued income		171,139	269,167
<b>Total current assets</b>		<b>3,722,240</b>	<b>2,892,450</b>
<b>Fixed assets</b>			
Long-term receivables from Group companies	2.2	55,042,696	76,711,379
Investments in Group companies	2.3	99,630,452	116,375,734
<b>Total non-current assets</b>		<b>154,673,148</b>	<b>193,087,113</b>
<b>Total assets</b>		<b>158,395,388</b>	<b>195,979,563</b>
<b>Short-term liabilities</b>			
Trade accounts payable		91,443	68,359
– to third parties		91,443	68,359
Short-term interest-bearing liabilities		13,356,249	6,947,149
– to third parties	2.4	13,356,249	5,947,149
– to Group companies		0	1,000,000
– to shareholders		0	0
Other liabilities		135,720	122,752
– to third parties		28,143	25,708
– to Group companies	2.5	107,577	97,044
Prepaid income and accrued expenses		293,347	360,456
<b>Total short-term liabilities</b>		<b>13,876,759</b>	<b>7,498,716</b>
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	2.6	60,000,000	75,000,000
– to third parties		60,000,000	75,000,000
<b>Total long-term liabilities</b>		<b>60,000,000</b>	<b>75,000,000</b>
<b>Total liabilities</b>		<b>73,876,759</b>	<b>82,498,716</b>
<b>Shareholders' equity</b>			
Share capital		14,600,000	14,600,000
Legal capital reserves	2.7	97,424,589	97,424,589
Legal retained earnings		9,596,186	9,599,413
– General legal retained earnings		9,500,000	9,500,000
– Reserve for treasury shares		96,186	99,413
Voluntary retained earnings		10,674,976	10,671,750
Losses carried forward		-18,814,905	-20,034,078
Profit/loss for the year		-28,962,217	1,219,173
<b>Total shareholders' equity</b>		<b>84,518,629</b>	<b>113,480,847</b>
<b>Total liabilities and shareholders' equity</b>		<b>158,395,388</b>	<b>195,979,563</b>

## 2. INCOME STATEMENT

CHF	Notes	2015	2014
Income from equity interests	2.8	5,914,273	4,698,332
Other income		7,687	4,565
Other operating expenses	2.9	-1,258,174	-1,055,871
Amortization/depreciation and impairment losses on non-current assets	2.10	-28,275,881	0
Financial income	2.11	557,210	879,843
Financial expenses	2.12	-5,907,332	-3,180,008
<b>Operating result before taxes</b>		<b>-28,962,217</b>	<b>1,346,861</b>
Extraordinary, non-recurring or prior period income	2.13	0	183,390
Extraordinary, non-recurring or prior period expenses	2.13	0	-311,078
<b>Result for the year before taxes</b>		<b>-28,962,217</b>	<b>1,219,173</b>
Direct taxes		0	0
<b>Profit/loss for the year</b>		<b>-28,962,217</b>	<b>1,219,173</b>

# NOTES TO THE FINANCIAL REPORTS 2015

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## 1. MEASUREMENT PRINCIPLES APPLIED IN THE FINANCIAL STATEMENTS

Adval Tech Holding AG, with its registered office in Niederwangen, applied the standards of the new accounting legislation under Art. 957ff, Swiss Code of Obligations (CO), for the first time in its financial statements dated December 31, 2015. The structure of the previous year's figures was adjusted to meet the requirements of the new standards. 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 the disposal 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 CONCERNING THE FINANCIAL STATEMENTS

### 2.1 Trade accounts receivable – from Group companies

CHF	12/31/2015	12/31/2014
Styner+Bienz Form Tech AG, Niederwangen, Switzerland	234,627	248,280
Styner+Bienz do Brasil Ltda., São José dos Pinhais PR, Brazil	1,892,862	1,771,826
Adval Tech (Hungary) Kft., Szekszárd, Hungary	83,543	129,995
Styner+Bienz US Inc., Cleveland, OH, USA	5,103	6,790
FOBOHA (Switzerland) AG, Muri (AG), Switzerland	308,965	230,441
FOBOHA (US) Inc., Beverly, MA, USA	5,676	5,470
FOBOHA (Germany) GmbH, Haslach, Germany	9,302	23,796
Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico	11,426	0
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	150,983	180,821
<b>Total Group companies</b>	<b>2,702,487</b>	<b>2,597,419</b>

## 2.2 Long-term receivables from Group companies

CHF	12/31/2015	12/31/2014
Adval Tech Management AG, Niederwangen, Switzerland (subordinated)	500,000	1,590,000
Styner+Bienz Form Tech AG, Niederwangen, Switzerland	30,428,000	30,755,400
Styner+Bienz do Brasil Ltda., São José dos Pinhais PR, Brazil	0	4,034,550
Adval Tech (Hungary) Kft., Szekszárd, Hungary	12,450,015	22,839,653
Styner+Bienz US Inc., Cleveland, OH, USA	792,648	544,159
FOBOHA (Switzerland) AG, Muri (AG), Switzerland	1,262,000	4,362,000
FOBOHA (Switzerland) AG, Muri (AG), Switzerland (subordinated)	3,000,000	3,000,000
FOBOHA (US) Inc., Beverly, MA, USA	0	880,548
FOBOHA Holding GmbH, Haslach, Germany	1,082,610	2,784,296
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico	1,441,000	0
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	4,086,423	6,801,321
Adjustment to intercompany loans	0	-880,548
<b>Total Group companies</b>	<b>55,042,696</b>	<b>76,711,379</b>

## 2.3 Investments in Group companies

Company		12/31/2015 Share capital 100%	Holding in %	12/31/2015 Book value CHF	12/31/2014 Book value CHF
Adval Tech Management AG, Niederwangen, Switzerland	CHF	100,000	100%	0	100,000
Management of equity interests					
Styner+Bienn FormTech AG, Niederwangen, Switzerland	CHF	3,050,000	100%	15,866,000	17,650,000
Stamping and forming technology					
Styner+Bienn US Inc., Cleveland, OH, USA	USD	1	100%	0	0
Stamping and forming technology					
Styner+Bienn do Brasil Ltda., São José dos Pinhais PR, Brazil	BRL	150,873	100%	576	123,576
Stamping and forming technology	USD	360,000	100%	526	603,526
Adval Tech (Hungary) Kft., Szekszárd, Hungary	EUR	1,900,000	100%	24,823,776	25,061,076
Stamping and forming technology / plastic components					
Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexico*	MXN	50,000	100%	19	0
Plastic components					
FOBOHA (Switzerland) AG, Muri (AG), Switzerland	CHF	600,000	100%	6,917,000	9,600,000
Injection molding technology					
Adval Tech (Grenchen) AG, Grenchen, Switzerland	CHF	2,000,000	100%	8,470,257	10,436,258
Plastic components					
FOBOHA Holding GmbH, Haslach, Germany	EUR	25,000	100%	13,124,298	15,741,298
Holdings in companies					
<i>FOBOHA (Germany) GmbH, Haslach, Germany</i>	EUR	23,433,332	100%	23,433,332	23,433,332
<i>Injection molding technology</i>					
<i>FOBOHA (US) Inc., Beverly, MA, USA</i>	USD	1	100%	1	1
<i>Mold and equipment sales</i>					
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	USD	13,517,000	100%	30,428,000	37,060,000
Holdings in companies					
<i>Adval Tech (Suzhou) Co. Ltd, Suzhou, China</i>	USD	3,500,000	100%	724,193	724,193
<i>Plastic components</i>					
<i>Adval Tech (Thailand) Co. Ltd, Rayong, Thailand**</i>	USD	7,000,000	100%	258,635	258,635
<i>Plastic components</i>					
<i>Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia</i>	USD	6,000,000	100%	1,701,155	1,701,155
<i>Plastic components</i>					
<i>FOBOHA (Suzhou) Co. Ltd, Suzhou, China</i>	USD	3,100,000	100%	0	0
<i>Injection molding technology</i>					
<i>Omni Plastics (Shanghai) Co. Ltd, Shanghai, China</i>	USD	800,000	100%	108,000	108,000
<i>Trading</i>					
<i>Omni Engineering (Shanghai) Co. Ltd, Shanghai, China</i>	USD	2,400,000	100%	1,653,731	1,653,731
<i>Trading</i>					
<b>Total equity interests</b>				<b>99,630,452</b>	<b>116,375,734</b>

Adval Tech (Mexico) S.A. de C.V. was founded as a new company in the year under review and commenced operations in the second half of 2015. Its main activity is supplying plastic components to the automotive industry in Mexico. QSCH Kft. was renamed Adval Tech (Hungary) Kft. in the year under review as part of a brand strategy in which several companies have been renamed.

Indirect equity interests are shown in italics.

\* 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.

With the exception of renamings, there were no changes in the scope of consolidation during the previous year.

#### 2.4 Short-term interest-bearing liabilities

CHF	12/31/2015	12/31/2014
Credit Suisse AG, Bern / group of banks	13,356,249	5,947,149
<b>to third parties</b>	<b>13,356,249</b>	<b>5,947,149</b>
Adval Tech (Grenchen) AG, Grenchen	0	1,000,000
<b>to Group companies</b>	<b>0</b>	<b>1,000,000</b>
<b>Total short-term interest-bearing liabilities</b>	<b>13,356,249</b>	<b>6,947,149</b>

#### 2.5 Other liabilities – to Group companies

CHF	12/31/2015	12/31/2014
Adval Tech Management AG, Niederwangen, Switzerland	106,570	90,794
Adval Tech (Grenchen) AG, Grenchen, Switzerland	1,007	6,250
<b>Total other liabilities – to Group companies</b>	<b>107,577</b>	<b>97,044</b>

#### 2.6 Long-term interest-bearing liabilities

CHF	12/31/2015	12/31/2014
Group of banks	60,000,000	75,000,000
<b>Total long-term interest-bearing liabilities</b>	<b>60,000,000</b>	<b>75,000,000</b>

At the start of July 2014, the Group rolled over its expired credit contract with two big Swiss banks to a new contract with four banks – three in Switzerland and one in Germany. After total amortization of CHF 10 million, the credit limit came to CHF 75 million and has a term of three years. At least CHF 15 million will be retired by the end of 2016. Two principal payments of CHF 5 million were made before December 31, 2015. The credit contract between the Adval Tech Group and the four banks is subject to a number of covenants. These covenants cover the following financial indicators: leverage ratio, minimum Group equity and minimum available liquidity. As at the balance sheet date the Company was in compliance with all covenants in the credit contract. Adval Tech Holding AG's majority shareholder has granted the lender banks a guarantee of CHF 25 million.

## 2.7 Legal capital reserves

This item consists of the shareholders' capital contributions.

## 2.8 Income from equity interests

CHF	2015	2014
Loan interest income	1,950,891	2,301,523
Dividend income	1,000,000	0
Corporate service fees	544,382	565,309
Brand license fees	2,419,000	1,831,500
<b>Total income from equity interests</b>	<b>5,914,273</b>	<b>4,698,332</b>

## 2.9 Other operating expenses

CHF	2015	2014
Property insurance	-9,000	-10,000
Office and administrative expenses	-1,224,015	-1,010,955
Sales and distribution expenses	0	-5,687
Other expenses	-25,159	-29,229
<b>Total other operating expenses</b>	<b>-1,258,174</b>	<b>-1,055,871</b>

## 2.10 Amortization/depreciation and impairment losses on non-current assets

CHF	2015	2014
Impairment losses on equity interests	-21,894,000	0
Impairment losses on loans	-6,381,881	0
<b>Total amortization/depreciation and impairment losses on non-current assets</b>	<b>-28,275,881</b>	<b>0</b>

The impairment losses on equity interests were due to the change in measurement of equity interests from an aggregate to an individual basis in the year under review. A group valuation was conducted in the previous year, resulting in no need for an impairment loss.

## 2.11 Financial income

CHF	2015	2014
Financial income from third parties	557,210	345,036
Foreign currency gains/losses, Group companies	0	534,807
<b>Total financial income</b>	<b>557,210</b>	<b>879,843</b>

## 2.12 Financial expenses

CHF	2015	2014
Bank interest expense	-273,994	-377,708
Loan interest expense	-2,062,354	-1,879,857
Foreign withholding taxes	-8,682	-72,498
Bank fees	-2,129	-1,791
Other financial expenses	-296,971	-405,616
Foreign currency gains/losses, third parties	-797,662	-131,038
Commission expenses, shareholders	-125,000	-213,611
Loan interest expense	-10,431	-9,653
Foreign currency gains/losses, Group companies	-2,330,109	-88,232
<b>Total financial expenses</b>	<b>-5,907,332</b>	<b>-3,180,004</b>

The item "Commission expenses, shareholders" reflects the commission for the guarantee of a major shareholder provided as part of the syndicated loan.

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

The extraordinary income of CHF 183,390 in 2014 includes a repayment related to the disposal of holdings in Mexico and China.

The extraordinary expense of CHF 311,078 in 2014 was a result of restructuring costs.

## 3. MISCELLANEOUS DISCLOSURES

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

### Treasury shares including interests in subsidiaries (book values)

	Number in 2015	Value in 2015	Number in 2014	Value in 2014
Jan. 1	500	99,413	0	0
Purchase (details)	895	141,746	500	99,413
Sale (details)	-757	-144,973	0	0
31.12.	638	96'186	500	99'413

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

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

No equity securities were granted to management and supervisory bodies or employees in 2014. The following equity securities were granted to management and supervisory bodies and employees in 2015:

	Number in 2015	Value in 2015	Number in 2014	Value in 2014
Issued to members of Board of Directors and Executive Management	757	144,973	0	0
Issued to employees	0	0	0	0
<b>Total</b>	<b>757</b>	<b>144,973</b>	<b>0</b>	<b>0</b>

## **Sureties to third parties**

	2015	2014
Guarantees	4,343,667	1,528,896

## **Major shareholders**

As at December 31, 2015, according to the share register, the following shareholders held over 3% of the registered share capital recorded in the Commercial Register:

	12/31/2015	12/31/2014
Dr. h.c. Willy Michel	23.7%	23.7%
Artemis Beteiligungen I AG, Hergiswil <sup>1)</sup>	21.2%	21.2%
J. Safra Sarasin Investment Fonds AG*	9.8%	9.8%
GEKLA AG, Hergiswil <sup>2)</sup>	8.8%	n.a.
Hansruedi Bienz	7.5%	7.5%
Lombard Odier Darier Hentsch Fund Managers SA	n.a.	6.9%
Dreier unregistered partnership <sup>3)</sup>	3.5%	3.5%

Economic beneficiaries

1) Michael Pieper

2) Rudolf B. Müller

3) Hans Dreier, Rudolf Dreier

\* Actual interest as at Dec. 31, 2015 and Dec. 31, 2014, Name changed to J. Safra Sarasin Investmentfonds AG

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

As at December 31, 2015, 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:

	Function as at December 31, 2015	12/31/2015 (Number)	12/31/2014 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	172,674	172,674
Michael Pieper	Vice Chairman of the Board	156,686	156,686
Hans Dreier	Director, Head IT/Logistics/Legal	13,292	13,138
Dr. Roland Waibel	Director	200	200
René Rothen	CEO	626	331
Markus Reber	CFO	328	174
Valeria Poretti-Rezzonico	Head Corporate HR/Communication	275	121



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

**Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the financial statements of Adval Tech Holding AG, which comprise the balance sheet, income statement and notes (pages 102 to 111), for the year ended 31 December 2015.

*Board of Directors' responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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 recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Hanspeter Gerber

Audit expert  
Auditor in charge

Mario Andenmatten

Audit expert

Bern, 15 April 2016

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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.

