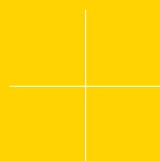
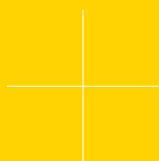
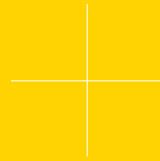
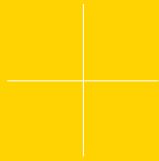


advaltech

2018

ANNUAL REPORT





Responsible for the contents: Adval Tech Management AG, Niederwangen
Concept, copy, design: Zoebeli Communications AG, Bern
Photography: Jörg Wilhelm, Lahr-Sulz
Graphics: Zoebeli Communications AG, Bern; d.e.sign, Ettenheim
Printing: Ast & Fischer AG, Wabern

Contents

Key figures	4
Share statistics	6
Letter to the shareholders	8
Management Report	10
Together to the top	20
Mission statement, strategy and values	36
Group structure and executive bodies	37
Corporate Governance	41
Remuneration Report	59
Consolidated financial statements	73
Adval Tech Holding AG	117
Addresses	134

KEY FIGURES OF THE ADVAL TECH GROUP

	2018	2017	Compar- able basis 2016 ¹⁾	2016	2015	2014
Total income (CHF millions)						
Group	198.2	207.9	187.5	227.1	224.3	247.0
Change in %	-4.7	-8.5	1.2	-9.2	-11.4	
Per employee (CHF thousands)	144.9	152.2	150.4	144.9	148.2	
Components segment	n.a.	n.a.	180.3	153.1	164.4	
Molds segment	n.a.	n.a.	48.6 ²⁾	74.4	86.1	
EBITDA (CHF millions)						
Operating earnings before depreciation	20.7	19.2	16.0	22.4	24.4	23.3
in % of total income	10.5	9.2	9.9	10.9	9.4	
Components segment	n.a.	n.a.	14.1	12.3	10.2	
Molds segment	n.a.	n.a.	6.4 ²⁾	9.7	11.0	
EBIT (CHF millions)						
Operating earnings	12.4	10.7	4.5	8.3	9.8	8.9
in % of total income	6.2	5.1	3.7	4.4	3.6	
Net profit (CHF millions)						
Net profit for the year	8.8	8.7	39.7	0.6	1.9	
in % of total income	4.4	4.2	17.5	0.3	0.8	
Cash flow and capital expenditure (CHF millions)						
Cash flow from operations	13.7	14.5	15.0	18.7	9.0	
Operative free cash flow	11.3	-2.6	7.6	5.0	-0.3	
Free cash flow	12.5	-5.1	110.6	5.0	2.8	
Capital expenditure	-10.4	-17.4	-7.6	-9.2	-7.0	
Components segment	n.a.	n.a.	-6.7	-4.8	-4.3	
Molds segment	n.a.	n.a.	-0.7 ²⁾	-3.6	-2.3	
Balance sheet figures (CHF millions)						
Total assets	179.6	172.9	193.6	201.2	220.5	
Shareholders, equity	123.5	117.3	133.2	64.6	68.5	
in % of total assets	68.8	67.8	68.8	32.1	31.1	
Employees						
on December 31	1,288	1,399	1,341	1,482	1,603	
Components segment	n.a.	n.a.	1,326	1,096	1,227	
Molds segment	n.a.	n.a.	n.a.	371	361	
Market capitalization (CHF millions)						
on December 31	141.6	174.5	171.6	115.3	131.0	
Selected key figures per share						
Earnings (CHF)	12.02	11.98	54.45	0.82	2.59	
Dividend (CHF)	4.20 ³⁾	4.00	41.00	0.00	0.00	
Payout ratio %	34.96	33.38	75.31	n.a.	n.a.	
P/E ratio on December 31	2.16	1.67	17.45	n.a.	n.a.	

According to Swiss GAAP FER

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

2) Consolidated for eight months

3) Proposed by the Board of Directors

FINANCIAL YEAR 2018

EBITDA

20.7 MILLION CHF

EBITDA rose from CHF 19.2 million to CHF 20.7 million (+8 %).

EBIT

12.4 MILLION CHF

EBIT improved by CHF 1.7 million to CHF 12.4 million (+16 %).

NET PROFIT

8.8 MILLION CHF

The Adval Tech Group increased its net profit by CHF 0.1 million to CHF 8.8 million (+1 %).

EBIT MARGIN

6.2 %

The EBIT margin was 6.2 % (previous year: 5.1 %).

KEY FIGURES AND SHARE STATISTICS

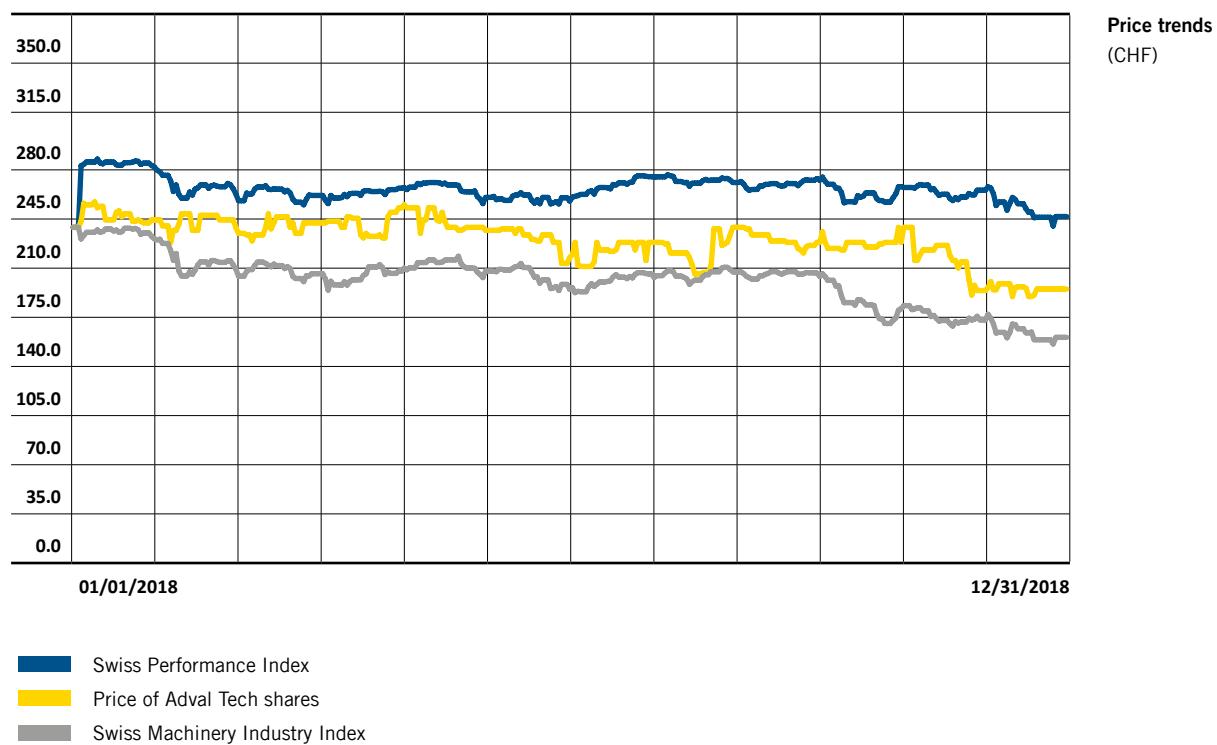
	2018	2017
Registered shares	730,000	730,000
EBIT per share (CHF)	16.95	14.64
Net profit per share (CHF)	12.02	11.98
Shareholders' equity per share (CHF)	169.21	160.67
Dividend per share (CHF)	4.20 ¹⁾	4.00
Payout ratio %	34.96	33.38
P/E ratio	2.16	1.67
Market prices (CHF)		
Low (12/12/18, 12/12/17)	189.00	209.70
High (01/08/18, 05/19/17)	252.00	330.00
December 31	194.00	239.00
Market capitalization (CHF millions)		
Low (12/12/18, 12/12/17)	137.97	153.08
High (01/08/18, 05/19/17)	183.96	240.90
December 31	141.62	174.47

1) Proposed by the Board of Directors

Share statistics

Swiss security no. 896 792

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



EBIT

12.4

MILLION CHF

2018

2017

10.7 MILLION CHF

2016*

2015

9.8 MILLION CHF

8.9 MILLION CHF

2014

6.5 MILLION CHF

2013

2012

-3.5 MILLION CHF

8.3 MILLION CHF

* Significant changes in the scope of consolidation
(sale of the Molds segment – FOBOHA)

DEAR SHAREHOLDERS

The Adval Tech Group achieved the targets it set for the 2018 financial year and improved its profitability still further. The EBITDA margin was 10.5% (2017: 9.2%) and the EBIT margin was 6.2% (2017: 5.1%), confirming the Group's positive trend. This success was made possible not least because we applied our mission statement "Together to the top" with great commitment and were able to drive forward development of the associated mindset in the Group.

In Niederwangen, Adval Tech concentrates on the production of large volumes of technically demanding rotationally symmetrical metal parts using high-speed presses. In the reporting period, we also sold several transfer presses – a business that we are now operating proactively.

Our production site in Endingen (Germany) is the largest and also one of the most modern in the Adval Tech Group. Among other things, it is our competence and production center for all metal components and subassemblies produced for the automotive industry using laser welding technology.

In Szekszárd (Hungary), where production of metal components has been brought together in a new 5,000 m² building, we are now manufacturing metal components for a major automotive manufacturer (OEM) for the first time. Specifically, this comprises manufacturing structural parts for the locking mechanism for the roof of a convertible car. The order is the first step in direct collaboration with this OEM. It is also a perfect reflection of Adval Tech's new globally oriented strategy: the order acquisition was made in Switzerland, the tools are being produced in Germany, and production is taking place in Hungary. We have now received further requests for structural parts.

In the plastics business, the site in Muri, Canton Aargau (Switzerland), is home to the Adval Tech Group's Tech Center Plastic Technology (TCPT), where a highly qualified team of engineers and technical experts develops plastics applications for automotive manufacturers and their global direct suppliers. The parts and subassemblies are produced in Hungary, Mexico and China. Business developed particularly well at our subsidiary in Hungary in 2018. Adval Tech (Malaysia) Sdn. Bhd. also reported considerably higher turnover than in the previous year.

The delayed introduction of the new procedure to measure exhaust emissions and the related switch to the WLTC driving cycle to obtain vehicle type approval is a major challenge for automotive manufacturers. The dynamic development of the electric vehicle sector is equally challenging. At Adval Tech, we see these market changes as opportunities for new applications using our technologies. Our aim is to continue to exploit these opportunities.



WILLY MICHEL

CHAIRMAN OF THE BOARD OF DIRECTORS

RENÉ ROTHEN

CHIEF EXECUTIVE OFFICER

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

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

Niederwangen, April 2019

Willy Michel, Chairman of the Board of Directors
René Rothen, Chief Executive Officer

MANAGEMENT REPORT

BUSINESS PERFORMANCE OF THE GROUP

The Adval Tech Group continues to be on track. The consistent implementation of the focusing strategy and the measures taken to increase productivity had a positive impact on the business result again in 2018.

Overall total income of CHF 198.2 million (2017: CHF 207.9 million, -4.7%) declined slightly. This is attributable on the one hand to the sale of Adval Tech Thailand in August 2018 and on the other to a market slowdown in the second half of the year due to the delayed introduction of the newly developed process for testing exhaust emissions in Europe. Adval Tech was nevertheless able to further improve its profitability. The Group generated operating earnings before interest, tax, depreciation and amortization (EBITDA) of CHF 20.7 million (2017: CHF 19.2 million, +8%) and earnings before interest and taxes (EBIT) of CHF 12.4 million (2017: CHF 10.7 million, +16%). This corresponds to an EBIT margin of 6.2% (2017: 5.1%).

Net profit for 2018 amounted to CHF 8.8 million (2017: CHF 8.7 million, +1%). The sale of the operations in Thailand, which was completed in the second half of 2018, reduced net profit by a total of CHF 2.9 million. The necessary recycling of goodwill offset against equity to the income statement as a result of the sale had a negative impact of CHF 3.7 million on the result. A one-time payment of CHF 2.9 million posted in the first half in connection with the sale of the Molds segment had a positive impact on the net profit.

Adjusted for currency and divestment effects, the Adval Tech Group increased EBITDA by 3% and EBIT by 8% in 2018. Total income fell 6% short of the previous year's figure.

Adval Tech set itself the following main targets for 2018:

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

Adval Tech met all these targets in 2018.

Market development

The automotive industry was affected by several developments in the course of 2018. These included the global trade disputes and uncertainties, the trend towards electrification, and declining overall demand for new cars. The world's largest automotive market, China, shrank in 2018 for the first time in decades, while the European and US markets stagnated.

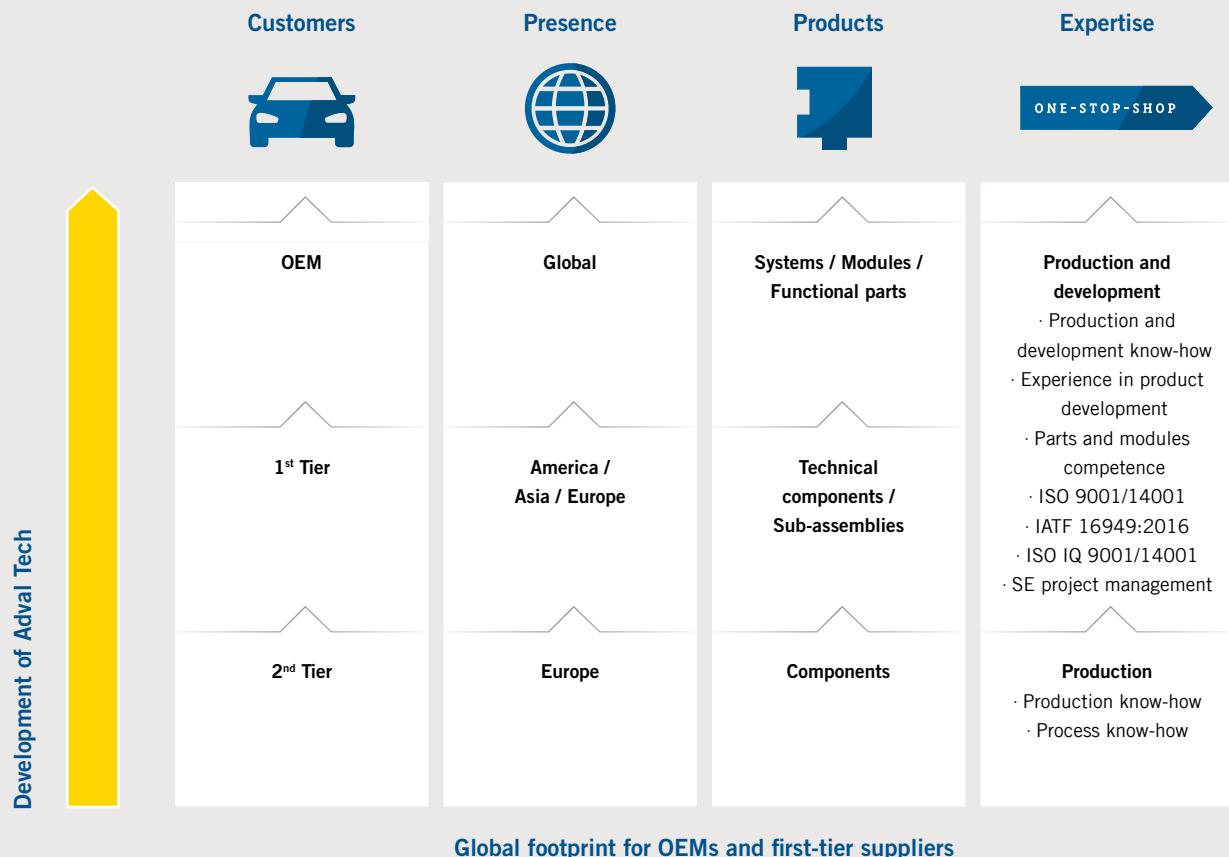
The delayed introduction of the new process for testing exhaust emissions (CO_2 and other pollutants) in Europe and the associated switch to the WLTC driving cycle in order to gain vehicle type approval is a major challenge for automotive manufacturers. As a consequence of this change, some vehicle types from well-known manufacturers were temporarily unavailable for order, while others have been taken off the sales program completely. This was reflected in sales figures and also had some impact on Adval Tech in the second half of 2018.

Strategic focus

As part of its strategic market focus, the Adval Tech Group is developing as an automotive supplier in four directions:

- from a component provider to a supplier of systems and modules
- from a parts manufacturer to a one-stop shop with development, parts and modular capabilities
- from a Europe-focused to a global partner
- from a supplier to second-tier providers to a partner of first-tier suppliers and OEMs (see also chart below)

STRATEGY IN AUTOMOTIVE BUSINESS



Market success

In the past few years, Adval Tech secured several large orders which will ensure capacity utilization at individual sites for years to come.

In the area of plastic components, for example, Adval Tech gained a new customer for air flow systems in the form of another automotive manufacturer (OEM) belonging to the VW Group. Series production is scheduled to start in Hungary in 2019 and should run for around four years. Also in Hungary in 2019, series production is due to start for a front panel including radiator shutter which Adval Tech will manufacture for different models of various OEMs over a period of seven years. In addition, Adval Tech acquired an order to produce components for oil guidance for a major OEM. Production of these components is likewise scheduled to start in Hungary in 2019 and will run for around six years.

Adval Tech also made some interesting and extensive acquisitions for production in Mexico. Not only in the field of air guidance systems, but also, for example, for a global manufacturer of lighting technology elements. Both series productions are scheduled to start in 2020 and last around four years. Adval Tech Mexico also launched an innovative production process at the end of 2018 for a safety relevant plastic module for vehicle interiors. In the year under review Adval Tech received new orders from the same customer for additional safety relevant components for vehicle interiors. They will be produced in Mexico and used in various models of several car brands in North America.

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

At the Niederwangen site in Switzerland, too, Adval Tech has acquired various new projects for rotationally symmetrical parts and received some interesting new enquiries for high-speed presses. From today's perspective, this business is developing quite positively.

Core investments and infrastructure projects

In the year under review the Adval Tech Group invested heavily at several locations; for example for new stamping presses in Germany or for additional injection molding machines in Mexico and the expansion of the necessary infrastructure. In Hungary Adval Tech expanded the production area for plastic components by an additional 700 square meters.

DEVELOPMENT OF KEY FIGURES

Total income

The total income of the Adval Tech Group consists of the following:

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

The Adval Tech Group generated total income of CHF 198.2 million in 2018 (previous year: CHF 207.9 million). Volumes were influenced by the sale of Adval Tech Thailand and the decline in demand due to the delayed introduction of the new process for testing exhaust emissions in the automotive industry in Europe.

Adjusted for currency and divestment effects, the Adval Tech Group's total income for 2018 was around 6% down on the prior-year figure. The Adval Tech Group generated 71% of its sales with customers in Europe (2017: 72%). Asian customers accounted for 12% of sales (2017: 12%), Latin American customers for 11% (2017: 9%) and North American customers for 6% (2017: 6%).

Adval Tech increased net turnover from the sale of components from CHF 152.6 million (2017) to CHF 157.3 million in 2018, i.e. by CHF 4.7 million, corresponding to growth of more than 3%. Excluding Adval Tech Thailand sales, growth was more than 4%.

Net turnover from the sale of the related tools for the manufacture of components, on the other hand, declined (by around CHF 13 million). This is primarily attributable to projects with automobile manufacturers in the plastics sector. In recent years Adval Tech has acquired a large number of new projects for the production of plastic modules in Hungary and Mexico, series production of which will start in 2019. This success in the acquisition of new projects is reflected in the very high net turnover from the sale of the related tools in 2016 and 2017.

The net turnover of the Swiss subsidiary Adval Tech (Switzerland) AG – in particular as regards the sale of transfer presses (technology business) – as well as the Hungarian subsidiary Adval Tech (Hungary) Kft., which produces plastic parts for OEMs, and the subsidiaries in China and Malaysia, were pleasingly high.

Profitability

EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to CHF 20.7 million in the year under review (previous year: CHF 19.2 million, +8 %). The EBITDA margin was 10.5 % (2017: 9.2 %). EBIT (earnings before interest and taxes) amounted to CHF 12.4 million (previous year: CHF 10.7 million, +16 %), corresponding to an EBIT margin of 6.2 % (2017: 5.1 %). Adjusted for currency and divestment effects, the EBITDA margin was 10.1 % and the EBIT margin 5.9 %.

The biggest contribution to the operating result came from Adval Tech (Switzerland) AG, Niederwangen, Adval Tech (Hungary) Kft., Adval Tech (Suzhou) Ltd. and Adval Tech (Malaysia) Sdn. Bhd.

The overall result is all the more pleasing when one considers that in 2018 an important customer of the subsidiary in Germany had to file for insolvency. Thanks to the professional and rapid response of Adval Tech's local management, the loss was reduced to around CHF 0.3 million.

Extraordinary result

The extraordinary result of CHF -0.3 million (2017: CHF -1.4 million) primarily includes net income of around CHF 2.9 million from a final payment received in the first half of 2018 from the sale of the Molds segment in 2016, net costs of around CHF 0.8 million for the transfer of production from the Uetendorf plant to the Endingen, Germany, and Szekszárd, Hungary, sites decided at the end of 2016, and non-recurring expenses of CHF 2.9 million from the sale of the stake in Thailand. The necessary recycling of the goodwill offset against equity at the time of the purchase had a negative impact of CHF 3.7 million on the income statement.

Net profit

Net profit for 2018 amounted to CHF 8.8 million (2017: CHF 8.7 million, + 1%). While the sale of the operations in Thailand depressed the result, the one-time payment of CHF 2.9 million posted in the first half in connection with the sale of the Molds segment had a positive impact on the net profit.

Detailed information can be found on page 106 of this annual report.

Investments and net current assets

In 2018 the Adval Tech Group invested CHF 10.4 million (2017: CHF 17.4 million) in property, plant and equipment, primarily for stamping presses, injection molding machines and the expansion of the production area in Hungary.

Cash flow from operating activities amounted to CHF 13.7 million in 2018 (2017: CHF 14.5 million), operating free cash flow to CHF 11.3 million (2017: CHF -2.6 million) and free cash flow to CHF 12.5 million (2017: CHF -5.1 million).

Net current assets (trade accounts receivable, inventories and trade accounts payable) stood at CHF 26.0 million at the end of December 2018 (December 31, 2017: CHF 36.8 million). Net current assets accounted for 18.1% of total income at the end of December 2018 (December 31, 2017: 19.3%).

Equity ratio

The Adval Tech Group improved its equity ratio from 67.8 % at the end of 2017 to 68.8 % at the end of 2018.

Share price

The key figures per share and the share price performance are shown on page 6 of this Annual Report.

Dividend payout

At the Annual General Meeting on May 23, 2019, the Board of Directors will propose a dividend of CHF 4.20 per share.

CUSTOMER AND EMPLOYEE SATISFACTION

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

Employee satisfaction is also measured regularly, every two years, at Adval Tech. In September 2018, all employees were invited in a total of seven languages to evaluate Adval Tech as an employer. The response rate of around 75 percent was similar to that of the last survey in 2016. The vast majority identify with the Group's goals and values. Employees are highly motivated and willing to perform outstandingly.

However, the evaluation also revealed potential for improvement. Cooperation at the individual sites, units and departments must be further improved. Adval Tech's international orientation requires a high degree of flexibility from all those involved and a willingness to exchange information between the individual departments, sites and units.

Following the detailed evaluation of the survey, the individual companies develop their own individual Implementation and action plan.

EMPLOYEES

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

The headcount decreased from 1399 FTEs (year-end 2017) to 1288 (year-end 2018).

Risk Management

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

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

The impact of exchange rates on the Swiss sites eased during 2018. This was mainly due to the steps taken by Adval Tech Group to mitigate risks, namely strategic and financial hedging.

More detailed information on financial risk management can be found on pages 83 and 84 of this Annual Report.

Outlook

In the light of the uncertainties in the automotive industry Adval Tech expects a challenging and volatile market environment in 2019.

Adval Tech sees rising demand for components for networked vehicles, autonomous driving, shared mobility and electrification as potential growth drivers. Great opportunities are also opening up with the introduction of new materials in lightweight construction concepts and the further development of the group into a global module supplier.

In order to reduce the volatility of the automotive market in 2019, Adval Tech will intensify its market activities in the technology business (sale of high-speed presses from Switzerland). This market offers interesting prospects for the future and has been pushed much more actively since 2017.

In 2019, the plant in Suzhou, China, will move to a new building. It will therefore not be possible to start series production of new projects there. The turnover of the Chinese company for 2019 can therefore be expected to stagnate.

In 2019, Adval Tech's objective is to master the planned move to China as smoothly as possible and to implement the numerous newly won production projects correctly right from the start. Adval Tech also intends to step up its direct cooperation with automobile manufacturers in the metal/light metal sector and thus strengthen its locations in Germany and Hungary.

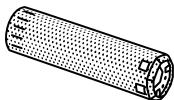
The Adval Tech Group is not giving specific guidance on total income or EBIT in 2019.

COMPONENTS FOR THE AUTOMOTIVE INDUSTRY

Safety



Seat belt mounts

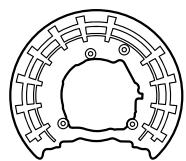


Combuster



ABS Components

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

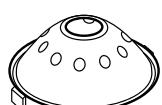


Brake cover

Power train



Fuel filter



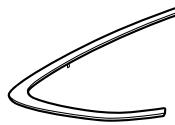
Fuel injection pump

- Fuel filter
- Gear parts
- Magnet acuator
- Pole housing
- Fuel injection pump
- Membrane
- Common rail
- Gasoline high pressure pump
- Valve sleeve

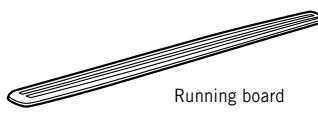


Common rail

Interior/Exterior/Decor

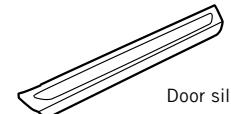


Trim

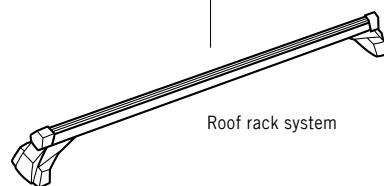


Running board

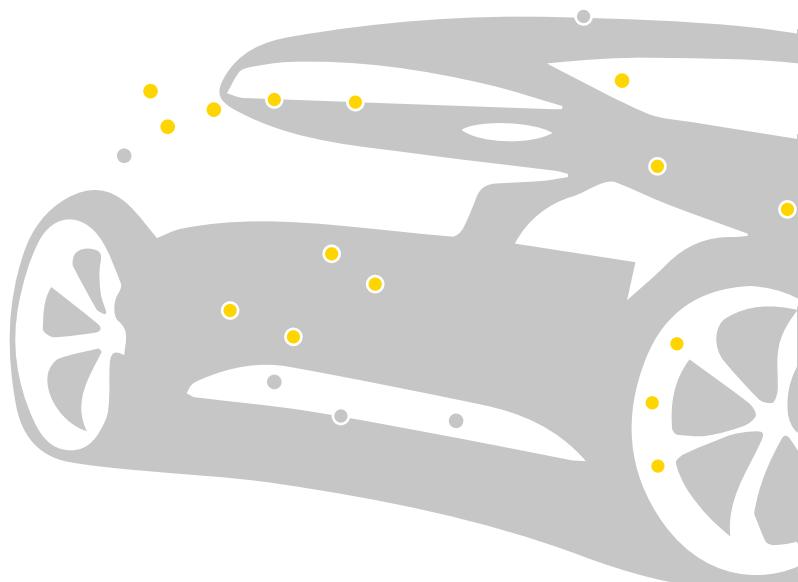
- Sun blind
- Door sill plate
- Door sill panel
- Trim
- Interior decor parts
- Roof rack system
- Running board



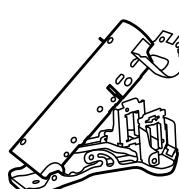
Door sill plate



Roof rack system



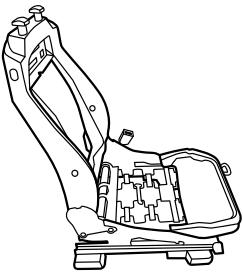
Steering



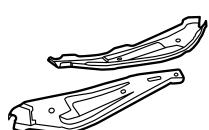
Steering system

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

Structure



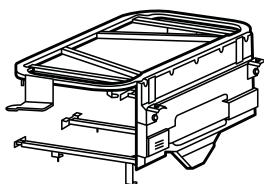
Seat structural parts



Seat adjustment

- Seat adjustment
- Door hinge
- Car body parts
- Cross members
- Seat structural parts
- Rear wiper
- Brackets
- Brackets for belt

E-Mobility/ Autonomous driving



Battery carrier

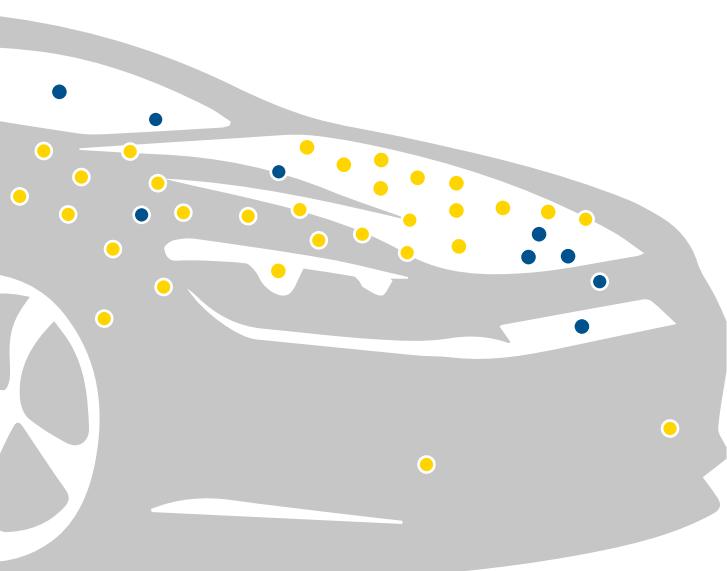


Lensholder

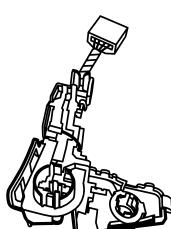
- Battery carrier
- Lensholder
- Sleeve (Head-up display)
- Oil guidance
- Insulation



Oil guidance



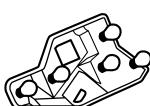
- Metal component
- Plastic component
- Composite



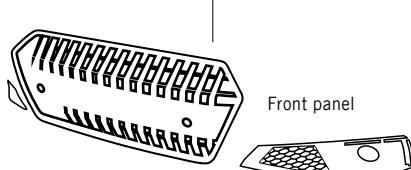
Rear light

Lighting

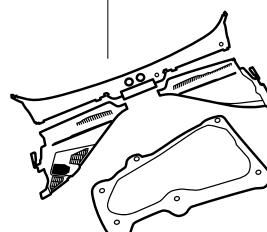
- Lighting system
- Rear light



Lighting system

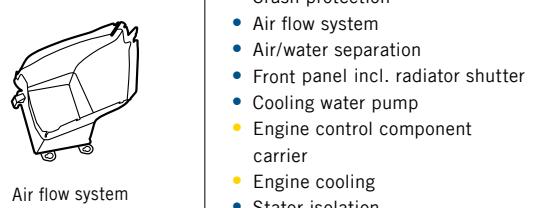


Front panel



Air/water separation

Car front



- Crash protection
- Air flow system
- Air/water separation
- Front panel incl. radiator shutter
- Cooling water pump
- Engine control component carrier
- Engine cooling
- Stator isolation

Together



to the top



THE ADVAL TECH GROUP'S GREATEST RESOURCE

Enthusiasm, discipline, and the ability to focus on essentials – that's Adval Tech. With employees who are passionately committed. Right across borders. True to our motto: Together to the top! Our employees and their know-how are the Adval Tech Group's greatest resource.

Around 1,300 employees at 11 locations in Europe, Asia and the Americas apply their skills daily for the Adval Tech Group. Highly motivated and excellently trained, they work together successfully across national borders and disciplines. The Adval Tech Group fosters its employees and offers them attractive career opportunities. It places great value on modern and sustainable leadership. In keeping with its motto – Together to the top – Adval Tech has developed a broad-based human resources philosophy centering on mutual respect and fairness.

Better every day – as an employer as well

In order to offer customers top service every day, Adval Tech employs highly qualified and highly motivated specialists in all areas. Specialists like these are highly valued and sought-after on the labor market. To respond to this challenge, Adval Tech has a wide range of measures. These include a six-step recruitment process: first, hire the right people; second, support and develop the right staff members; third, retain the best employees in the long term; fourth, recruit qualified specialists and managers; fifth, be an attractive and competitive employer; and sixth, foster a positive corporate image.

An extensive human resources project

To maintain our position as a preferred employer in the long term, the Adval Tech Group launched an extensive employer branding project in 2018. The objective was to motivate the right specialists to work for Adval Tech and to raise awareness of the Group on the relevant labor markets. The project also includes many measures to strengthen our corporate and leadership culture, including specific training for managers and senior executives. At Adval Tech, leadership means going forward rather than looking back, inspiring rather than dictating, motivating rather than issuing orders. (See interview on page 32)

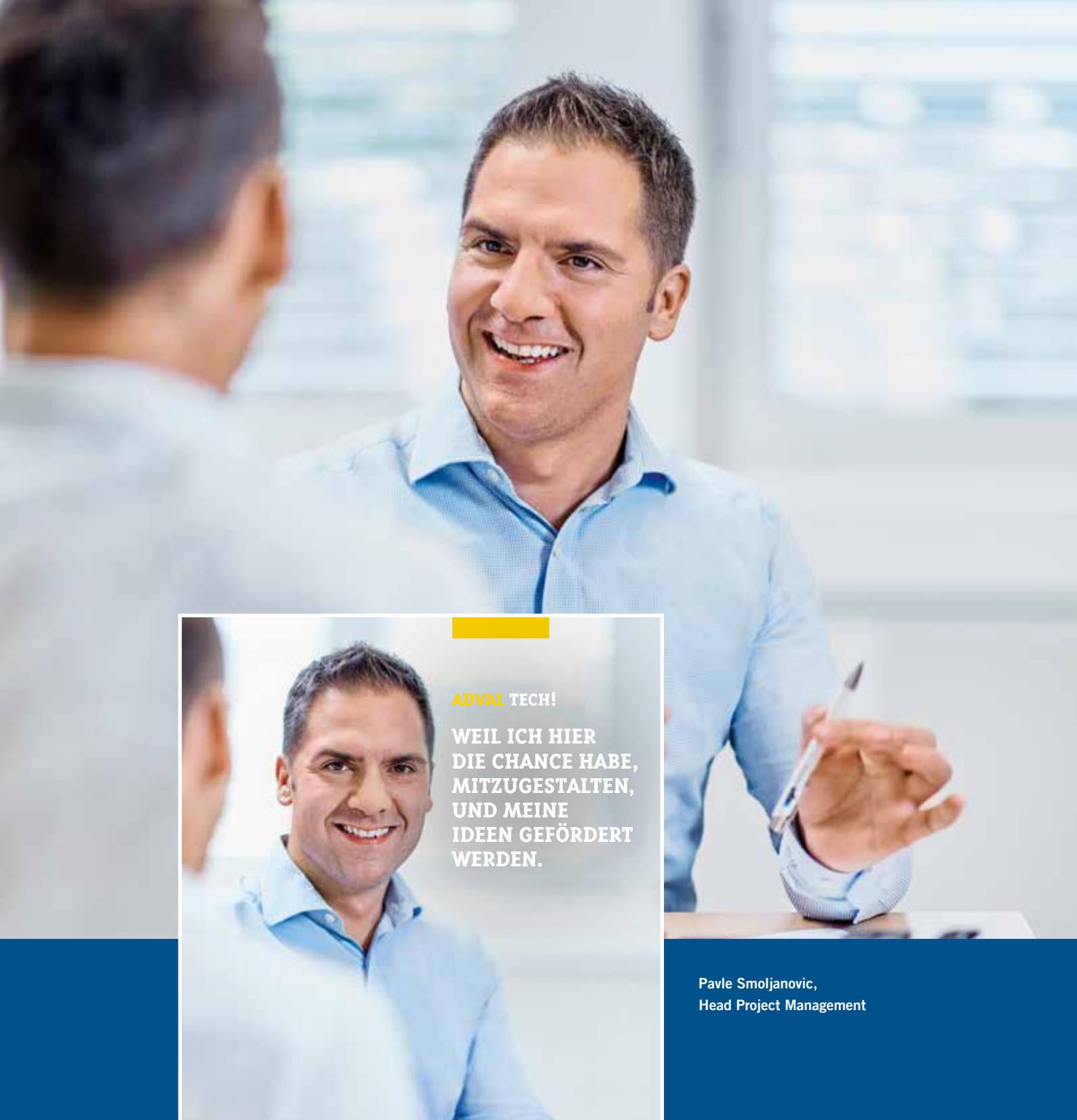
"What drives you?"

Another element is an independent new digital portal to present Adval Tech as an employer. The introduction of this attractive portal is scheduled for mid-2019. Last year, Adval Tech launched local campaigns using a series of posters to present the company as an attractive and modern employer. Why do specialists around the world choose to work for Adval Tech? In this advertising campaign, specialists from various fields answer the question: "What drives you?"



**“What
drives
YOU?”**

Mate Grgic,
Production Planner



ADVAL TECH!

**WEIL ICH HIER
DIE CHANCE HABE,
MITZUGESTALTEN,
UND MEINE
IDEEN GEFÖRDERT
WERDEN.**

WAS TREIBT DICH AN?

Wir sind ein global tätiger Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in grossen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schliesslich erfolgreich in seriennahe Produkte umzusetzen und weltweit herzustellen, dies ist das Kerngeschäft von Adval Tech. Dabei fokussieren wir auf den Automobilmarkt. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Adval Tech.

Adval Tech – innovativer, schneller, besser!

advaltech

ADDING VALUE THROUGH INNOVATION

www.advaltech.com

Pavle Smoljanovic,
Head Project Management



Rahel Graf,
Polymechanic



ADVAL TECH!

**WEIL ICH
OFFENHEIT UND
EHRLICHKEIT
SCHÄTZE UND DER
FAKTOR MENSCH
NOCH ETWAS
ZÄHlt.**

WAS TREIBT DICH AN?

Wir sind ein global tätiger Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in grossen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schliesslich erfolgreich in serienreife Produkte umzusetzen und weltweit herzustellen, dies ist das Kerngeschäft von Adval Tech. Dabei fokussieren wir auf den Automobilmarkt. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Adval Tech.

Adval Tech – innovativer, schneller, besser!

advaltech

ADDING VALUE THROUGH INNOVATION

www.advaltech.com



Stefan Reber,
Design Engineer



ADVAL TECH!

WEIL ICH HIER
BESTE CHANCEN
HABE, MICH
PERSÖNLICH
ZU ENTFALTEN.

WAS TREIBT DICH AN?

Wir sind ein global tätiger Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in grossen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schliesslich erfolgreich in seriennaher Produktion umzusetzen und weiter zu optimieren, das ist das Kerngeschäft von Advatech. Dabei fokussieren wir auf den Automobilmarkt. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Advatech.

Advatech – innovativer, schneller, besser!

advaltech

ADDING VALUE THROUGH INNOVATION

www.advaltech.com

Nicole Zürcher,
Product Manager



ADVAL TECH!

WEIL ICH HIER
DIE CHANCE HABE,
MICH WEITER-
ZUENTWICKELN,
UND VISIONEN
GELEBT WERDEN.

WAS TREIBT DICH AN?

Wir sind ein global tätiger Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in grossen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schliesslich erfolgreich in seriennaher Produktion umzusetzen und weiter zu optimieren, das ist das Kerngeschäft von Advatech. Dabei fokussieren wir auf den Automobilmarkt. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Advatech.

Advatech – innovativer, schneller, besser!

advaltech

ADDING VALUE THROUGH INNOVATION

www.advaltech.com



ADVAL TECH!

WEIL MIR SPASS BEI DER ARBEIT GENAU SO WICHTIG IST WIE EIN GUTES BETRIEBSKLIMA.

WAS TREIBT DICH AN?

Wir sind ein global tätiger Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in großen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schließlich erfolgreich in serienreife Produkte umzusetzen und weltweit herzustellen, das ist das Kerngeschäft von Adval Tech. Dabei fokussieren wir auf den Automobilmarkt. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Adval Tech.

Adval Tech – innovativ, schneller, besser!

advaltech
ADDING VALUE THROUGH INNOVATION
www.advaltech.com

Christina Hess,
Industrial Clerk
(3rd apprentice year)



ADVAL TECH!

WEIL ICH GERNE DORT NACH LÖSUNGEN SUCHE, WO ANDERE KAPITULIEREN.

WAS TREIBT DICH AN?

Wir sind ein global tätiger Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in großen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schließlich erfolgreich in serienreife Produkte umzusetzen und weltweit herzustellen, das ist das Kerngeschäft von Adval Tech. Dabei fokussieren wir auf den Automobilmarkt. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Adval Tech.

Adval Tech – innovativ, schneller, besser!

advaltech
ADDING VALUE THROUGH INNOVATION
www.advaltech.com

Jennifer Huber,
Precision mechanic
(2nd apprentice year)

“Start
your
future.
WITH US.”





Adval Tech invests in the future and is extensively involved in vocational training.

“We don’t make compromises.”



WIR MACHEN KEINE
KOMPROMISSE ...

WENN ES DARUM GEHT, EINEN GLÄNZENDEN
EINDRUCK ZU HINTERLASSEN.

Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schließlich erfolgreich in serienreife Produkte umzusetzen und weltweit herzustellen – dies ist das Kerngeschäft von Adval Tech. Dabei fokussieren wir auf den Automobilmarkt.

Mit Innovationen Mehrwert schaffen – added value – dafür steht der Name Adval Tech.

advaltech
ADDING VALUE THROUGH INNOVATION

www.advaltech.com



WIR WISSEN, WORAUF
ES ANKOMMT ...

WENN ES DARUM GEHT,
WEGWEISENDLE LÖSUNGEN ZU ENTWICKELN.

Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schließlich erfolgreich in serienreife Produkte umzusetzen und weltweit herzustellen – dies ist das Kerngeschäft von Adval Tech. Dabei fokussieren wir auf den Automobilmarkt.

Mit Innovationen Mehrwert schaffen – added value – dafür steht der Name Adval Tech.

advaltech
ADDING VALUE THROUGH INNOVATION

www.advaltech.com

“We want YOU!”

DU BIST JEMAND MIT KLAREN ZIELEN, DER GERNE MAL DIE RICHTUNG VORGIBT?

WIR DENKEN IN DIE SELBE RICHTUNG. WE WANT YOU!

We sind ein global agenter Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in großen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schließlich erfolgreich in serielle Produkte umzusetzen und weltweit herzustellen, das ist das Kerngeschäft von Adval Tech. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Adval Tech.

Adval Tech – innovativer, schneller, besser!

www.advaltech.com

DU BIST EIN ABSOLUTER TEAM-PLAYER UND MÖCHTEST DICH PERSÖNLICH ENTFALTEN?

WIR BIETEN DIR DIE MÖGLICHKEITEN. WE WANT YOU!

We sind ein global agenter Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in großen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schließlich erfolgreich in serielle Produkte umzusetzen und weltweit herzustellen, das ist das Kerngeschäft von Adval Tech. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Adval Tech.

Adval Tech – innovativer, schneller, besser!

www.advaltech.com

**DU BIST EIN TYP MIT ECKEN UND KANTEN, DER GERNE SEINE MEINUNG SAGT?
WIR WÜRDEN DIESE GERNE HÖREN. WE WANT YOU!**

We sind ein global agenter Industriepartner für Komponenten und Baugruppen aus Metall und Kunststoff in großen Stückzahlen. Bedürfnisse und Anforderungen des Kunden zu verstehen, daraus neue und innovative Lösungsansätze zu entwickeln und diese schließlich erfolgreich in serielle Produkte umzusetzen und weltweit herzustellen, das ist das Kerngeschäft von Adval Tech. Durch Innovationen Mehrwert schaffen – adding value – dafür steht der Name Adval Tech.

Adval Tech – innovativer, schneller, besser!

advaltech
ADDING VALUE THROUGH INNOVATION

www.advaltech.com

“OUR MANAGEMENT CULTURE IS FOCUSED ON MOTIVATION, ACTIVE PARTICIPATION AND PASSION.”

For years, Adval Tech has offered specialists from around the world the opportunity to develop their personal skills as part of a leading international technology group and to shape the future together as part of a highly motivated team. In this interview, Valeria Poretti* explains how Adval Tech constantly increases the high quality of its HR services.

Ms. Poretti, what makes Adval Tech such a special employer?

Adval Tech stands for a passion for innovation, technology and perfect control of manufacturing processes. At the same time, we stand for disciplined and focused working with an eye for the essentials. Working at Adval Tech means staying on the ball, engaging your brain, creating, accepting responsibility, and striving to find solutions. We don't have everything organized according to fixed scheme. We give specialists the opportunity to actively shape technical progress in many sectors.

Adval Tech is currently investing in HR management through a number of projects. Why?

Adval Tech offers its customers top service across the board. That's only possible thanks to our highly motivated and competent specialists. To gain such staff, we need a certain visibility as an employer. We want to strengthen this through an extensive and broad-based campaign, which was introduced in 2018 and runs until the end of 2019. It comprises a variety of brochures, posters, and a new sub-page on our website. Photos of people are being used to make Adval Tech visible and accessible. That is supplemented by photos of our products. These illustrations encapsulate our business. However, communication is only one aspect of our employer branding campaign. We are also using various internal activities to strengthen our corporate and leadership culture.

What exactly do you aim to strengthen?

Adval Tech operates in an extremely fast-moving business environment. Only companies that can constantly adapt and reinvent themselves will survive in the long term. We achieve and maintain that flexibility thanks to highly motivated staff, who are enthusiastic about their work. Our leadership culture is based on motivation, active participation and passion. When developing new, future-oriented solutions, our staff do not simply execute. They are part of a bigger vision. Together, we are writing the history of Adval Tech. We specifically encourage this leadership culture – especially among middle managers.

Know-how is an important resource for Adval Tech.

How do you ensure internal knowledge transfer?

In-house training is a central element for us. Last year, for example, the focus was on finance. More than 50 European managers were given the requisite knowledge using a three-step process, ranging from basic information on business administration through practical examples to specific models. Next year, the program will be taken to Asia and the Americas. There are, of course, also many other activities tailored to individual needs.

What importance do you attach to employees' health?

Physical well-being is an important precondition for the performance of our team. Wherever possible we support and encourage exercise and sports activities. In some countries, we even have in-house offerings. In Switzerland and Germany, staff can have free flu vaccinations. With regard to safety, we meet the conditions for certification in accordance with ISO 9001 and ISO/TS 16949.

The latest HR developments include new software.

What benefits do you expect it to bring?

My vision is a paperless HR department. The new tool allows the central management of data of relevance for recruitment and personnel management. That frees up more time for projects and direct interaction with members of staff. This interaction with them is and remains the heart of our human resources management.



***Valeria Poretti,
Head of Corporate HR &
Communication and
Member of Group Executive
Management**



Enrique Moreno,
Production Assistant

IN A NUTSHELL: ADVAL TECH'S HUMAN RESOURCES STRATEGY



TOP PERFORMANCE

We work with the right ones.

Specialist knowledge, a foresighted approach, and the willingness to participate: our employees around the world set standards with their skills and commitment. Adval Tech feels confident in all business fields thanks to their highly qualified specialists. We support further training for our employees and foster their individual development to create excellent team players and key people.



FAIRNESS AND MUTUAL ESTEEM

We respect one another.

Responsibility to society is part of our tradition. This starts with fair treatment of our staff. Adval Tech naturally observes human rights worldwide and ensures good, safe working conditions. We do not tolerate discrimination on the grounds of skin color, gender, religion or membership of labor unions or political parties.



DEVELOPMENT

We empower careers.

We foster opportunities for the advancement of talented young people. Where possible, we fill vacancies with in-house staff. In this way, we ensure that we retain specialist knowledge and expertise. We support our employees with personalized development plans. We also organize decentralized training and seminars in all Group companies.



NETWORKED

We work across borders.

We encourage working abroad. Through intensive exchanges among our locations in different parts of the world, our employees acquire technical expertise, improved language skills and intercultural proficiency.



LOOKING TO THE FUTURE

We support young talent.

At Adval Tech, talented young employees become seasoned professionals. By training apprentices for a variety of jobs, we play our part in the dual training system in Switzerland and Germany. We also provide internships for students and graduates.



HEALTH AND SAFETY

We take responsibility.

The health and safety of our staff are important to us. Adval Tech invests continuously in a safe and healthy working environment. Order and cleanliness are essential at all our locations around the world.



MISSION STATEMENT, STRATEGY AND VALUES

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

Metal components and subassemblies

Adval Tech produces large quantities of stamped and formed series parts and subassemblies for the automotive industry. The Group produces the necessary tools in-house. For certain applications, the Group also constructs entire production facilities. Adval Tech makes rotationally symmetrical parts (e.g. components for airbags, ABS braking systems and fuel injection systems), steering system subassemblies, roof rack systems, decor parts (e.g. trims), structural components and composite components from metal and plastic elements (e.g. door sill plates). These parts are manufactured in Switzerland, Germany, Hungary, Brazil and North America.

Plastic components

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

Vision

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

Mission

Adding value through innovation – that's what the name Adval Tech stands for. The Group is a global industrial supplier of technologically sophisticated components and subassemblies made of metal, light metals and plastic. Adval Tech focuses on the automotive market and on applications similar to those for the automotive industry in terms of quantities, quality requirements, service life and production processes. By involving supply chain partners that are technology leaders in the value chain from the outset, it minimizes risks. The Group delivers quality without compromise worldwide. With its solutions and services it generates benefit for customers in terms of deadlines, quality and costs.

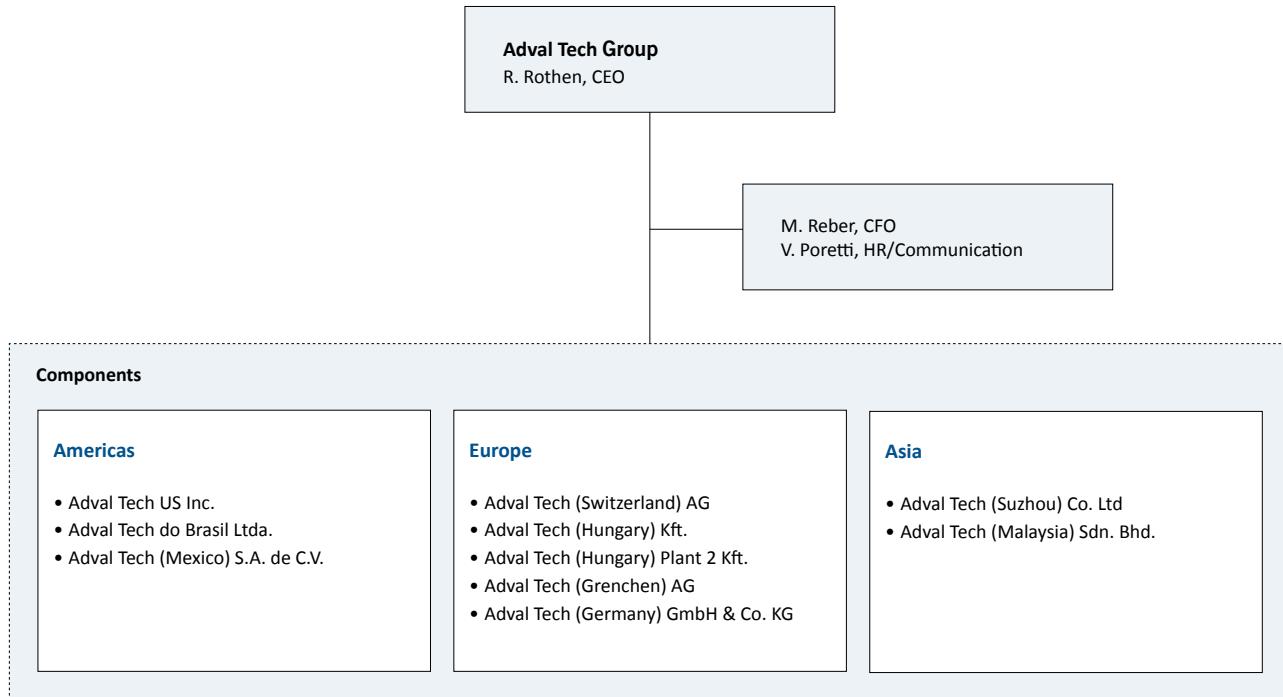
Values

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

One-stop shop

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

GROUP STRUCTURE



As at April 1, 2019

EXECUTIVE BODIES

Board of Directors

Dr. h.c. Willy Michel, Chairman

Hans Dreier

Dr. Roland Waibel

Christian Mäder

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

Appointments and Compensation Committee: Dr. h.c. Willy Michel (chair),

Dr. Roland Waibel, Christian Mäder

Group Executive Management

René Rothen, Chief Executive Officer

Valeria Poretti-Rezzonico, Head Corporate HR/Communication

Markus Reber, Chief Financial Officer

Statutory Auditors

PricewaterhouseCoopers AG, Berne



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

GROUP EXECUTIVE MANAGEMENT



(FROM LEFT TO RIGHT:)

MARKUS REBER
CHIEF FINANCIAL OFFICER

RENÉ ROTHEN
CHIEF EXECUTIVE OFFICER

VALERIA PORETTI-REZZONICO
HEAD CORPORATE HR/COMMUNICATION

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 company's Articles of Incorporation and regulations governing the organization and conduct of business. Unless otherwise specified, the present Corporate Governance Report refers to the 2018 financial year, to the position at the balance sheet date of December 31, 2018, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 23, 2017. The following report conforms essentially to the structure specified by SIX Swiss Exchange.

Group structure and shareholders

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

Group management and group financing are conducted through Adval Tech Management AG and Adval Tech Holding AG. Business is conducted through the relevant Group companies. The current Group structure is shown on page 37.

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

The SIX Swiss Exchange ticker symbol for Adval Tech registered shares is ADVN, the Reuters symbol is ADVN.S, and the Bloomberg symbol is ADVN SW. The ISIN number is CH0008967926. The market capitalization of Adval Tech Holding AG on December 31, 2018, was CHF 141.6 million.

On December 31, 2018, Adval Tech Management AG held no registered shares in Adval Tech Holding AG (previous year: 507 registered shares, stake of 0.07%). The remaining group companies hold no shares in Adval Tech Holding AG either.

The following companies are included in the scope of consolidation as at December 31, 2018

Company	Registered office	Share capital	Equity holding	
Adval Tech Holding AG	Niederwangen, Switzerland	TCHF	14,600	
Adval Tech Management AG	Niederwangen, Switzerland	TCHF	100	100%
Adval Tech Immobilien AG	Niederwangen, Switzerland	TCHF	100	100%
Adval Tech (Switzerland) AG	Niederwangen, Switzerland	TCHF	3,050	100%
Adval Tech do Brasil Indústria de Autopeças Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
Adval Tech (US) Inc.	Cleveland, Ohio, USA	TUSD	1	100%
Adval Tech Holding (Germany) GmbH	Endingen, Germany	TEUR	25	100%
Adval Tech (Germany) GmbH & Co. KG	Endingen, Germany	TEUR	1,132	100%
Adval Tech (Germany) Verwaltungs GmbH	Endingen, Germany	TEUR	51	100%
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TUSD	3	100%
Adval Tech (Hungary) Kft.	Szekszárd, Hungary	TEUR	990	100%
Adval Tech (Hungary) Plant 2 Kft.	Szekszárd, Hungary	TEUR	11	100%
Adval Tech (Grenchen) AG	Grenchen, Switzerland	TCHF	2,000	100%
Adval Tech Holdings (Asia) Pte. Ltd	Singapore	TUSD	2,267	100%
Adval Tech (Suzhou) Co. Ltd	Suzhou, China	TUSD	9,660	100%
Adval Tech (Malaysia) Sdn. Bhd.	Johor, Malaysia	TUSD	505	100%
Omni Plastics (Shanghai) Co. Ltd	Shanghai, China	TUSD	1,100	100%
Omni Engineering Shanghai Co. Ltd	Shanghai, China	TUSD	2,800	100%

The following changes in the scope of consolidation took place in the year under review: As part of the consistent implementation of its focusing strategy concentrating on selected activities, particularly in its main target markets of the automotive industry, the Adval Tech Group sold its subsidiary in Thailand, Adval Tech (Thailand) Co. Ltd, per end of August 2018. The business activities of Adval Tech (Thailand) Co. Ltd have therefore no longer been included in the scope of consolidation of Adval Tech Holding Ltd since September 3, 2018.

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

The adjustment of the opening balance sheet of Fischer IMF GmbH & Co. KG (acquired in the first semester of 2016) was completed in the first half of 2017. This resulted in a goodwill reduction of CHF 0.5 million. As the goodwill from this transaction was offset against shareholders' equity in the first half of 2016, there was a corresponding increase in shareholders' equity without impact on the income statement.

For further details of the scope of consolidation, see note 4 on pages 85 to 86 of the Financial Report 2018.

The disclosures pursuant to Article 120 of the Financial Market Infrastructure Act (FinfraG) are available on the SIX Swiss Exchange website via the following link: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ADVAL.

During the 2018 financial year, there was one disclosure report based on Art. 120 et seq. of the FinfraG (Financial Market Infrastructure Act). Grapha-Holding AG, Hergiswil, (beneficial owner: Rudolf B. Müller, Hergiswil, Switzerland) reported on 3 May 2018 the change of residence of the beneficial owner with unchanged participation.

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, 2018, are listed below.

Ownership interest (as last reported)	12/31/2018	12/31/2017
Dr. h.c. Willy Michel*	23.8%	23.7%
Artemis Beteiligungen I AG, Hergiswil ^{1, 4)}	21.2%	21.2%
Grapha Holding AG, Hergiswil ²⁾	8.8%	8.8%
J. Safra Sarasin Investment Fonds AG*	8.5%	8.5%
Hansruedi Bienz	7.5%	7.5%
Einfache Gesellschaft Dreier ³⁾	3.5%	3.5%

Beneficial owners:

- 1) Michael Pieper, Hergiswil, Switzerland
- 2) Rudolf B. Müller, Hergiswil, Switzerland
- 3) Hans Dreier, Niederwangen, Switzerland; Rudolf Dreier, Altendorf, Switzerland
- 4) Represented on the Board of Directors by Mr. Christian Mäder

* Effective amount of holding as at December 31, 2018 and December 31, 2017

There are no shareholders' pooling agreements and no capital or voting cross-holdings. The overall structure of shareholdings at December 31, 2018, was as follows:

Number of shares	Shareholders
1 to 100	357
101 to 1,000	102
1,001 to 10,000	17
More than 10,000	10
Total	486

Capital structure

As at December 31, 2018, the share capital of Adval Tech Holding AG amounted to CHF 14.6 million, divided into 730,000 registered shares with a par value of CHF 20 each. All the shares carry the same voting and dividend rights. The share capital is fully paid up. With respect to restrictions on registration, reference is made to the section on shareholders' rights of co-determination (see pages 51 to 53).

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

CHF	12/31/2018	12/31/2017	12/31/2016
Share capital	14,600,000	14,600,000	14,600,000
Legal capital reserve	64,096,409	66,981,141	97,424,589
Legal retained earnings	9,500,000	9,616,896	9,690,236
<i>General legal retained earnings</i>	<i>9,500,000</i>	<i>9,500,000</i>	<i>9,500,000</i>
<i>Reserves for treasury shares</i>	<i>0</i>	<i>116,896</i>	<i>190,236</i>
Voluntary retained earnings	11,284,611	11,167,715	10,580,926
Profit/loss carried forward	40,017,242	45,189,668	-47,777,122
Profit/loss for the year	4,716,300	-5,139,626	92,933,990
Total shareholders' equity	144,214,562	142,415,794	177,452,619

There were no changes in capital in 2016, 2017 and 2018.

As at December 31, 2018, there was no authorized or conditional capital, nor were any participation or dividend-right certificates, convertible bonds or options in issue. The shareholders' register is maintained by Computershare Schweiz AG, Baslerstrasse 90, 4600 Olten, on behalf of Adval Tech Holding AG.

Board of Directors

On December 31, 2018 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 the 2018 financial year.
- **Hans Dreier**, born 1953, Swiss; MBA FH, was a project and later systems manager at Honeywell Bull, Düsseldorf, Germany (1980–1982); in 1982 he joined the Adval Tech Group at Styner+Bienz as Head of IT; from 1984 he was Head of Sales and Marketing at Styner+Bienz; from 1997 to March 2018 he held the position of Head of IT/Logistics/Legal as a member of the Adval Tech Group Executive Board. He has been a non-executive member of the Board of Directors of Adval Tech Holding Ltd since April 2018 (executive member of the Board of Directors between 1988 and March 2018) and was elected until the end of the Annual General Meeting for the 2018 financial year.

- **Christian Mäder**, born 1969, Swiss; Swiss certified expert in accounting and controlling. Since 2015, CFO and member of the executive committee of Artemis Group as well as member of the Board of Directors of Franke Group. From 2000 until 2015 various finance and management positions at Swisslog Group, as of 2005 CFO and member of the Group Executive Committee. Earlier, various management and finance positions at companies like KPMG and Colenco Group (Motor-Columbus Group). Member of the Board of Directors of Adval Tech Holding AG since May 2017, non-executive, elected until the close of the Annual General Meeting for the 2018 financial year.
- **Roland Waibel**, born 1958, Swiss; PhD; various executive positions at the Lonza Group, Basel, including Group Controller, CFO and Senior Vice President, Corporate Development (1989–2006), CFO of the Omya Group, Oftringen (2006–2013), CFO of the Archroma Group, Reinach (since 2013); member of the Board of Directors of Adval Tech Holding AG since 2005, non-executive, elected until the close of the Annual General Meeting for the 2018 financial year.

Willy Michel is Chairman of the Board of Directors of Ypsomed Holding AG, Burgdorf. He is also Vice Chairman of the Board of Directors of BV Holding AG, Berne (Chairman from 2001 until 2008). On December, 31, 2018, he held two mandates at exchange-listed companies and exercised 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, hospitality and watchmaking industries. In 2007 Dr. Michel founded Finox AG, specializing in fertility therapies. This company was sold to a third party in July 2016. After receiving the Master Entrepreneur prize from Ernst & Young in 2005, he was awarded an honorary doctorate by the University of Berne Faculty of Economic and Social Sciences in 2006. The Swiss Association for Internal and Integrated Communication (SVIK) awarded Dr. Michel its 2014 Communicator of the Year (COTY) Award.

Hans Dreier does not hold any other mandates outside the Adval Tech Group.

Christian Mäder is Chairman of the Board of Directors of Kraftwerke Europe AG, Mönchaltorf (CH), member of the Board of Directors of Franke Holding AG, (in May 2019 he will be proposed to the Annual General Meeting as the new Chairman of the Board of Directors of Franke Holding AG). He is also a member of the Board of Directors of O. Kleiner AG, Wohlen (CH), a member of the Board of Directors of Ciron S.A., Zurich (CH), and a member of the Board of Directors of Sant'Isidoro S.R.L., Florence (IT); none of these companies is listed on the stock exchange. Outside the Adval Tech Group, Christian Mäder therefore holds five mandates with unlisted legal entities.

In his capacity as CFO of the Archroma Group, **Roland Waibel** serves on the boards of various Group companies both in Switzerland and abroad. Outside the Adval Tech Group, he does not hold any mandates with unlisted legal entities.

With the exception of Hans Dreier, as described above, none of the other non-executive members of the Board of Directors was employed by the Adval Tech Group in an operational or consultative capacity in the past three years. The members of the Board of Directors were 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.

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

Number of mandates as at December 31, 2018 (outside the Adval Tech Group)

Number of mandates	Public companies	Unlisted legal entities
Restriction under Articles of Incorporation	5	10
Dr. h.c. Willy Michel	2	4
Hans Dreier	0	0
Christian Mäder	0	5
Dr. Roland Waibel	0	0

No transactions were conducted with related parties in the year under review (see also note 39 of the Financial Report). Neither in the 2018 financial year nor in the previous year were sales to related parties generated nor were there any receivables from related parties as at the balance sheet date of December 31, 2018 (December 31, 2017: zero). The members of the Board of Directors have no material business relationships with the Company or any of its Group companies. All business relationships of the Adval Tech Group with related parties are described and quantified in Note 39 of the Financial Report on page 109.

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

The following elections were held at the Annual General Meeting of May 17, 2018:

- Willy Michel, Hans Dreier, Christian Mäder and Roland Waibel were individually re-elected as members of the Board of Directors for a term of one year, elapsing at the close of the next Annual General Meeting.
- Willy Michel was re-elected as Chairman of the Board of Directors in a separate election for the period ending at the close of the next Annual General Meeting.
- The Board members Willy Michel, Christian Mäder and Roland Waibel, were reelected individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting.
- The law and notary firm of Muntwyler von May Notare in Berne und Ittigen was appointed independent proxy for the period ending at the close of the next Annual General Meeting.
- PricewaterhouseCoopers AG, Berne, was reappointed as statutory auditor for the 2018 financial year.

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

The Board of Directors represents the highest decision-making authority in the company, subject to those matters on which, according to legal provisions, the shareholders must decide. It performs the following duties: specifying the framework of the mission statement, strategic focus and objectives as well as medium-term planning and the annual budget for the Group Executive Management; defining the Group organization; appointing and dismissing the CEO and other members of the Group Executive Management; ensuring operational management of the Group; drawing up the annual report; approving the budget and medium-term planning; preparing the Annual General Meeting. The Board of Directors executes the motions adopted by the Annual General Meeting and supervises the practical realization of the mission statement and the implementation of the strategy as well as the course of business. It also oversees finance and accounting matters, periodically conducts risk evaluations and approves material transactions.

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

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

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

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

The Audit Committee is responsible for reviewing the annual financial statements and other financial information. It discusses the results of audits with the external auditors, and reviews the internal control system, risk management and compliance with laws, directives and standards. At the proposal of the CFO it approves the budget for auditing fees and assesses the independence and compatibility of auditing activities with other advisory mandates. The Audit Committee submits a proposal on the election of the auditors to the Board of Directors for the attention of the Annual General Meeting. The CFO and, if necessary, the CEO usually attend the meetings in a consultative capacity. The Audit Committee usually acts in a preparatory capacity for the Board of Directors as a whole; decision-making powers lie with the Board of Directors as a whole. The Audit Committee meets as often as business requires, but at least twice a year. Three meetings were held in 2018. In the year under review, the CEO and CFO attended all three meetings. The auditors also attended all three meetings in 2018. No other external advisers were called in. The meetings usually last half a working day. The audit findings can be seen in the remuneration report on pages 70 and 71, in the financial report on pages 110 to 116 for the consolidated financial statements and on pages 129 to 133 for Adval Tech Holding AG.

In accordance with the Company's Articles of Incorporation, the Nomination and Compensation Committee is made up of at least two members of the Board of Directors. Members are elected individually by the Annual General Meeting for a term lasting until the conclusion of the next Annual General Meeting. Members may be re-elected. Following election of the members of the Nomination and Compensation Committee, the Board of Directors designates the Chairman of the Committee, which otherwise constitutes itself. The Nomination and Compensation Committee conducts personnel planning at the Board of Directors and Group Executive Management level, in particular by setting criteria for candidate searches and preparing the selection, and by performing succession planning and support. It assesses the performance of the Group Executive Management members, reporting to the Board of Directors, and determines the basic salaries and bonuses of the Group Executive Management based on a fixed formula. The Nomination and Compensation Committee assesses the compensation of the Group Executive Management once a year and, where appropriate, submits recommendations for potential adjustments to the Board of Directors. The Nomination and Compensation Committee proposes the compensation of the Chairman and other members of the Board of Directors. The Nomination and Compensation Committee meets as frequently as business requires but at least once a year, upon invitation by the Chairman. It held one meeting in 2018. As a rule, the CEO attends meetings in an advisory capacity; in 2018 he did not attend the meeting. No external advisers were called in. The meetings usually last between one and two hours. As a rule, the Nomination and Compensation Committee acts in a preparatory capacity for the full Board of Directors, providing timely reports on the results of its activities. It presents the requisite proposals to the Board of Directors in the person of the Chairman; decision-making authority lies with the full Board of Directors or the Annual General Meeting. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Composition of the Board of Directors and the Committees and number of meetings held in 2018

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

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

2) Neither the CEO, the CFO nor the Head of Corporate HR/Communication attended the meeting of the Nomination 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 key group companies and the Group as a whole (key figures from the income statement – such as turnover, income and operating earnings – and the balance sheet – working capital, debt, liquidity and details on investment spending – supplemented by a comment from the CEO and CFO), and the status of key projects and significant developments in the markets. The Board of Directors receives information about the status of strategic projects at its meetings. If needed, it obtains information about the company's performance, special events and the status of key projects outside the framework of regular reports and meetings.

The written reports are supplemented with detailed comments by the CEO and other members of Executive Management at the respective meetings of the Board of Directors, where open issues and queries can be addressed and answered. Proposals and reports are submitted in writing to the Board of Directors in good time prior to the meeting. The Board of Directors informs itself regularly, at least once a year, regarding the Group's business risks and assesses these. As part of the risk assessment process, the likelihood of occurrence of risks and the potential damage are considered. The company uses both quantitative and qualitative methods for this. These are uniform throughout the Group to ensure that risks can be compared across business units. A risk assessment is made on the basis of the results of the likelihood of occurrence and expected impact of each risk. The management of financial risks is described in detail in Note 2 on pages 83 and 84 of the Financial Report and cooperation with the auditors is described on pages 54 and 55 of this Corporate Governance Report.

Internal control system

The Adval Tech Group's internal control system (ICS) is implemented at company level at significant group entities. The processes required to be covered by the ICS, their definitions and the documentation of the ICS are stipulated centrally by the group. An internal control system has been in operation at significant group entities for some time; since 2009, its design and application have been coordinated group-wide. The Board of Directors receives regular reports on the design and development of the internal control system, generally once a year. The existence of the ICS is reviewed annually by the auditors. The auditors submitted one written report on the results of their review of the ICS to the Board of Directors during the reporting period. The findings of that audit are outlined in the auditor's report on pages 116 and 133 of the Annual Report.

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

The Adval Tech Group does not have an internal audit function. The Board of Directors of Adval Tech Holding AG has not created a separate internal audit function due to the group structure and the design of the internal control system. The Board of Directors has delegated the management of the operating business with regard to achieving the strategic objectives and fulfilling the medium-term plans and budgets to the Group Executive Management, chaired by the CEO. Internal organization and the allocation of authority are set out in the Adval Tech Group's regulations governing the organization and conduct of business (www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules).

Group Executive Management

The executive management team of the Adval Tech Group (Group Executive Management) consisted of three members as at December 31, 2018:

- **René Rothen**, born 1959, Swiss; with Adval Tech since 2007; Chief Executive Officer; Grad. Eng. HTL. Career: Head of Product Development, machine tool manufacturing at EWAG AG, Etziken (1983–1993), various executive positions at Saia-Burgess in Murten (1993–2006), including Head of Operations, Switzerland and Hungary, and finally also as CEO of a subsidiary in the US. Joined Adval Tech as Head of the Automotive Division in 2007, member of the Group Executive Management since 2007, CEO of the Adval Tech Group since August 1, 2012.
- **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, Berne (1993–1997), Head of Finance and Controlling in the Service and Repair unit of Swisscom AG, Berne (1997–2000), Head of Finance and Central Services at the Feusi Bildungszentrum, Berne (2000–2002). Joined Adval Tech as Group Controller, CFO and member of the Group Executive Management since January 1, 2007.

- **Valeria Poretti-Rezzonico**, born 1961, Swiss; with Adval Tech since 2008; Head of Corporate HR/Communication; AMP Harvard Business School; Career: Head of the Secretariat of the General Management of Danzas Transporte Italy/Ticino, Milan/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 the Group Executive Management since May 1, 2012.

The provisions of the Articles of Incorporation concerning mandates outside Adval Tech Holding AG stipulate that members of the Group Executive Management may assume no more than two mandates at exchange-listed and five mandates at unlisted legal entities. See also www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules.

For further details on mandates, please see the notes on the Board of Directors on page 46 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.

In the reporting period, there were no further management contracts between Adval Tech Holding AG or its subsidiaries, and third parties. Details of remuneration, equity holdings and loans will be presented in a separate Compensation Report on pages 59 to 69 of this Annual Report.

Changes to the Group Executive Management in 2018

Hans Dreier left the management of the Adval Tech Group at the end of March 2018, having reached the statutory retirement age. He will continue to make his knowledge available to the company as a member of the Board of Management. Hans Dreier will also be available to the Adval Tech Group as a part-time consultant on projects and special assignments until 2019, but will no longer hold any management functions.

Compensation, ownership interests and loans

Full details of the compensation, ownership interests and loans to both present and former members of the governing bodies are disclosed individually in the remuneration report on pages 59 through 69. The various provisions of the Articles of Incorporation concerning compensation of members of governing bodies are set forth in Articles 20 and 26 through 29. The Company's Articles of Incorporation contain no articles regarding loans, credits and pension benefits for members of governing bodies. The Articles of Incorporation of Adval Tech Holding AG can be viewed at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules.

Shareholders' participation rights

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application, if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Article 6 of the Articles of Incorporation of Adval Tech Holding AG as amended on May 21, 2015 (unchanged from the version dated June 19, 2012), purchasers of shares will not be registered with voting rights for more than 10% of the registered share capital recorded in the Commercial Register. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. See also the company's Articles of Incorporation at www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules/.

At the Annual General Meeting of June 19, 2012, the shareholders approved the raising of the registration restriction from 5% to 10% along with a corresponding amendment to the Articles of Incorporation. Groups of individuals who are associated with each other and act in concert to circumvent the registration restrictions are regarded as a single purchaser. The Board of Directors can permit exceptions. In 2006, the Board of Directors granted an exception in favor of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. There was a change of shareholders in 2014 due to the merger of Artemis Beteiligungen I AG with Artemis Beteiligungen II AG. Beneficial ownership remained unaffected by this transaction. The Board of Directors has affirmed the continued validity for Artemis Beteiligungen I AG of the exception granted to Artemis Beteiligungen II AG.

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

Furthermore, these voting restrictions (regarding the previous 5%) do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all voting rights when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Hansruedi Bienz, Dreier unregistered partnership). The exceptions granted were also applied by the Board of Directors in the 2018 reporting period.

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

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

Invitations to the Annual General Meeting are issued by publication in the Swiss Official Commercial Gazette no less than 20 days prior to the Annual General Meeting. Shareholders entered in the shareholders' register can also be invited in writing. Shareholders representing at least ten percent of share capital may demand the convocation of an Extraordinary General Meeting in writing, indicating the agenda items and resolutions to be taken up. Shareholders representing shares with a par value of not less than CHF 1 million can request the inclusion on the agenda of items for discussion. Such requests must be submitted to the Board of Directors before the General Meeting, indicating the matter to be discussed and the precise proposal. Provisions of law concerning deadlines and the date of record apply. There are no regulations differing from the Swiss Code of Obligations regarding the convening of a general meeting. Shareholders with voting rights who are entered in the shareholders' register at least 14 days prior to the Annual General Meeting are entitled to vote at the meeting. The anticipated deadline for registration before the Annual General Meeting on May 23, 2019 is tentatively set for May 13, 2019.

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 Annual General Meeting comply with the Swiss Code of Obligations.

Independent proxy

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

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

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

At the Annual General Meeting on May 17, 2018, legal firm Muntwyler von May Notare, of Berne and Ittigen, was re-elected as independent proxy for the period up to the end of the next Annual General Meeting. Muntwyler von May Notare is an independent legal firm.

For the upcoming Annual General Meeting of May 23, 2019, the Board of Directors will ensure that Adval Tech Holding AG shareholders have the option of submitting their authorization and instructions to the independent proxy electronically. Details on submitting an electronic authorization and instructions to the independent proxy will be explained in the invitation to the next Annual General Meeting. The Company allows shareholders to send their voting instructions for Annual General Meetings to the independent proxy in electronic form using the eComm platform (<https://ip.computershare.ch/advaltech>). The procedures for registration and voting using this platform are sent to shareholders recorded in the share register together with the invitation to the Annual General Meeting.

Changes of control and defense mechanisms

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

Statutory auditors

Revisuisse PricewaterhouseCoopers, the legal predecessor of PricewaterhouseCoopers AG in Berne, 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, Berne, was reappointed for financial year 2018 by the Annual General Meeting of May 17, 2018. Oliver Kuntze has held the position of lead auditor since the 2017 Annual General Meeting.

Total auditing fees invoiced by PricewaterhouseCoopers AG in 2018 came to CHF 340,000 (previous year: CHF 322,000).

The following fees were also paid to PricewaterhouseCoopers AG in 2018:

Additional fees (CHF)	2018	2017
Tax consulting	117,000	162,000
M&A activities/cooperation projects	0	51,000
Total fees	117,000	213,000

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

The auditors attended all three meetings of the Audit Committee in 2018 in order to explain the results of their audit. A detailed management report was drawn up by the auditors on each occasion to summarize the results of the interim audit and the audit of the annual financial statements; this served as the basis for explanations to the Audit Committee and the Board of Directors as a whole. The Audit Committee reviews the audit concept annually and stipulates the audit schedule after consultation with the auditors and the Chairman of the Board of Directors, and defines the fee framework. The committee also periodically reviews the independence of the auditors (their personal independence and that of the auditing firm), the provision of the relevant resources by the auditors, practical recommendations for the implementation of the Swiss GAAP FER guidelines, the auditors' understanding of the business units and the company's specific business risks, cooperation with the Audit Committee and the Group Executive Management, and the compatibility of the audit mandate with any other consulting contracts. Consulting contracts awarded to the auditors for more than CHF 0.1 million per contract must be approved by the Audit Committee before being awarded. For the year under review, the Audit Committee and the Board of Directors as a whole have concluded that the independence of the auditors is fully guaranteed.

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

Information policy

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

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

Detailed information regarding disclosure reports can be accessed at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ADVAL.

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

The media releases published by the Company as well as Articles of Incorporation and Organizational Rules can be accessed at www.advaltech.com.

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

Direct link for the Articles of Incorporation and Organizational Rules: www.advaltech.com/en/group/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.

Contact

Adval Tech Management AG
Freiburgstrasse 556
CH-3172 Niederwangen
Switzerland

René Rothen
Chief Executive Officer

Markus Reber
Chief Financial Officer

Valeria Poretti-Rezzonico
Head of Corporate HR/Communication

Phone +41 (0) 31 980 84 44
Fax +41 31 980 82 60

info@advaltech.com
www.advaltech.com

Upcoming events

Annual General Meeting:
Thursday, May 23, 2019, Berne

Announcement of semi-annual results:
End of August 2019

REMUNERATION REPORT

This remuneration report for the 2018 financial year describes the compensation principles, the compensation system and the remuneration for the Board of Directors and Group Executive Management of Adval Tech Holding AG.

The details in this report comply with the SIX Exchange Regulation Directive on Corporate Governance, the requirements of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), which came into force on January 1, 2014, and the Swiss Code of Obligations (SCO). Unless otherwise specified, the present Corporate Governance Report refers to the balance sheet date of December 31, 2018, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 23, 2017.

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

Governance

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

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

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

According to the Company's Articles of Incorporation, the Board of Directors may submit additional or differing proposals pertaining to the same or different time periods to the Annual General Meeting for approval.

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

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

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

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

Nomination and Compensation Committee

The Nomination and Compensation Committee consists exclusively of non-executive members of the Board. The Annual General Meeting of May 17, 2018 elected Board members Willy Michel, Roland Waibel and, Christian Mäder, individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting. More details on the Nomination and Compensation Committee can be found in the "Corporate Governance" section on pages 48 and 49 of this Annual Report.

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

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

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

1. COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

The remuneration for members of the Board of Directors depends on the role of the individual member (Chairman, member). The total remuneration of Board members consists of a fixed fee (approx. 80% of total remuneration), an attendance fee (approx. 10% of total remuneration) and a lump-sum to cover expenses (approx. 10% of total remuneration). The Board of Directors does not receive any variable remuneration. The total remuneration of the members of the Board of Directors is disbursed in cash.

The remuneration of the members of the Board of Directors is not linked to the company's targets. As a rule, the Nomination and Compensation Committee proposes the Board of Directors' compensation, their attendance fees and their lump-sum expense allowances once a year. Based on these proposals, the full Board of Directors determines the compensation at its own discretion, without involving external advisers or specific studies. In 2018, the Chairman of the Board of Directors received a fixed fee of CHF 60,000, while the other members received a fixed fee of CHF 40,000. Since the Annual General Meeting in 2017, no member of the Board of Directors has held the function of Vice Chairman. For collaboration in the Audit Committee and in the Nomination and Compensation Committee, a fixed fee of CHF 10,000 was paid per member and committee for the 2018 financial year. The fees of the members of the Board of Directors remained unchanged compared to the previous year and have not been changed since 2004. Members of the Board also received a flat fee and a reimbursement for each meeting attended. The attendance fee and lump sum to cover expenses were paid only once per day, even if several meetings were held on the same day. The rates also remained unchanged year on year and have not been changed since 2005.

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

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

1.1 Remuneration of the Board of Directors for 2018 and 2017

The following tables show the compensation paid to the members of the Board of Directors for the 2018 and 2017 financial years.

Remuneration for the 2018 financial year (audited figures)

CHF	Position	Basic remuneration ¹⁾	Other remuneration ²⁾	Social insurance contributions	Total	Entertainment expenses ³⁾
Dr. h.c. Willy Michel ^{5) 6)}	Chairman	70,000	4,000	0	74,000	4,000
Hans Dreier ⁴⁾	Member	50,000	7,000	3,861	60,861	5,600
Christian Mäder ^{5) 7)}	Member	50,000	4,000	0	54,000	3,200
Dr. Roland Waibel ^{4) 5)}	Member	60,000	7,000	5,142	72,142	5,600
Total Board of Directors		230,000	22,000	9,004	261,004	18,400

1) Fixed fee and collaboration in committees

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

6) The fee was paid to Techpharma Management AG, Burgdorf

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

The Annual General Meeting of May 17, 2018, approved maximum total compensation for members of the Board of Directors for their terms up to the 2019 Annual General Meeting in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2018 financial year and amount approved by the 2018 AGM for the period up to the 2019 AGM (audited table):

CHF	Total compensation in financial year 2018	Less compensation for the period from Jan. 1, 2018 to the 2018 AGM (5 months)	Plus compensation for the period from Jan. 1, 2019 to the 2019 AGM (5 months)	Total compensation for the period from the 2018 AGM to the 2019 AGM	Maximum total compensation approved at the 2018 AGM
Total Board of Directors (4 members)	279,404	139,702	139,702	279,404	320,000

The total compensation of the Board of Directors for the 2018 financial year is within the amount approved by the Annual General Meeting. The basic remuneration and the rates for attendance fees and the lump-sum expense have not changed.

Remuneration for the 2017 financial year (audited figures)

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

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

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

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

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

The Annual General Meeting of May 18, 2017 approved maximum total compensation for members of the Board of Directors for their terms up to the 2018 Annual General Meeting in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2017 financial year and amount approved by the 2017 AGM for the period up to the 2018 AGM (audited table)

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

The total compensation of the Board of Directors for the 2017 financial year is within the amount approved by the Annual General Meeting.

The Board of Directors will propose total compensation for members of the Board of Directors for one term of office (the period from the 2019 AGM to the 2020 AGM) to the Annual General Meeting of May 23, 2019 in the amount of CHF 320,000 (2018 AGM to 2019 AGM: CHF 320,000).

2. REMUNERATION OF MEMBERS OF THE GROUP EXECUTIVE MANAGEMENT

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

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

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

No industry-specific benchmarks, external studies or advisers were used to establish compensation for members of the Group Executive Management either in the 2018 financial year or in the previous year. The members of the Group Executive Management do not attend the part of the meeting of the Board of Directors in which compensation is discussed.

2.1 Compensation system for Group Executive Management in the 2018 financial year

The compensation system for the Group Executive Board in 2018 was unchanged from 2017. As in the 2017 financial year, the Board of Directors set two targets for determining variable compensation for Group Executive Management members:

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

No additional individual targets were set in either the 2018 or the 2017 financial year.

2.2 Fixed component of total compensation

The basic salary (the fixed component of total compensation) and benefits (company car and expenses) for Group Executive Management members are based on the individual members' positions CEO, CFO, Head of Corporate HR/Communication and until March 2018 also Head of IT/Logistics/Legal and their qualifications and career experience. The basic salary and benefits are reviewed annually by the Board of Directors on the basis of a proposal made by the Nomination and Compensation Committee and fixed at the Board's discretion. Where applicable, the basic salary and benefits are adjusted for the following year on the basis of the proposal made by the Nomination and Compensation Committee. The basic salary is paid in cash on a monthly basis.

2.3 Variable performance-based component of total compensation

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

In 2018 the CEO's target bonus was 53% and that of the other Group Executive Management members was 41% of their basic salary (previous year: 56% for the CEO and 43% for the other members).

To determine the actual bonus, the degree of attainment of the following two financial targets in the 2018 reporting period was established:

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

Bonus structure and weighting of targets, 2018 reporting period (unchanged compared to 2017)

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

The bonus structure for the 2018 financial year was unchanged from the previous year. In general, a portion (as a rule no less than 20%, no more than 100%) of the variable remuneration of Group Executive Management is paid out in shares. The number of shares granted is based on the average price of the registered shares in February of the year following the financial year. The shares granted as variable compensation vest in five years. The cost of variable remuneration in cash and shares is recognized on an accrual basis. The variable remuneration component can range from zero to 112% of the fixed component.

Members of the Group Executive Management are envisioned to receive 77.9% of the variable component for the 2018 financial year in cash (CHF 280,597) and 22.1% in shares (CHF 79,449). The corresponding figures for 2017 were 78.9% cash (CHF 552,689) and 21.1% in shares (CHF 147,984).

Subject to approval of the Annual General Meeting 2019, for the year under review, the ratio of variable compensation to base compensation is 42.6% for the CEO and 32.0% for the other members of the Group Executive Management (previous year: 71% for the CEO and 55% or above for other members).

2.4 Compensation paid to the Group Executive Management for the 2018 and 2017 financial years (audited figures)

The following table shows the fixed and variable compensation and total compensation paid to the Group Executive Management for 2018 and 2017.

CHF	2018		2017	
	Group Management (3 members since March 2018) ¹⁾	Of which highest single compensation payment ¹⁾	Group Management (4 members)	Of which highest single compensation payment ²⁾
Basic remuneration in cash	1,000,500	375,000	1,170,000	360,000
Other fixed remuneration in cash ³⁾	87,530	8,953	61,026	9,319
Other fixed remuneration in cash	299,846	106,782	353,313	106,181
Total fixed remuneration	1,387,876	490,735	1,584,339	475,500
Variable remuneration in cash	280,597	124,894	552,689	202,753
Share-based remuneration ⁴⁾	79,449	34,694	147,984	54,332
Total variable remuneration	360,046	159,588	700,673	257,085
Total management remuneration	1,747,922	650,323	2,285,012	732,585
Entertainment expenses	53,100	18,000	64,800	18,000

1) Since April 1, 2018, the Group Executive Management has comprised three members, until March 2018 four members. One member of the Group Executive Management reached the statutory retirement age in March 2018 and therefore left the Executive Group Management Board.

2) CEO René Rothen

3) Company car; child allowances for a member of the Group Executive Management

4) Allocation of shares in Adval Tech Holding AG as described in chapter 2.3 on pages 65 and 66 and in Note 23 on page 101 of the 2018 Financial Report.

Hans Dreier left the management of the Adval Tech Group at the end of March 2018, having reached the statutory retirement age. He will continue to make his knowledge available to the company as a member of the Board of Directors. Hans Dreier will also be available to the Adval Tech Group as a part-time consultant on projects and special assignments until 2019, but will no longer hold any management functions (see page 45 of the Corporate Governance Report). The compensation for this consulting activity is paid monthly (based on a monthly gross amount of CHF 10,000 for a part-time workload of 40%).

The total fixed compensation of CHF 1,387,876 paid to members of the Group Executive Board for the 2018 financial year is 12.4% lower than in the previous year due to the retirement of a member of the Executive Committee in March 2018 (his remuneration is included pro rata until the date of retirement) and the associated lower social security contributions. The total fixed compensation for the 2018 financial year is within the maximum total fixed compensation of CHF 1,675,000 approved by the Annual General Meeting on May 18, 2017.

The Annual General Meeting on May 17, 2018, retrospectively approved the proposed variable compensation of CHF 700,673 for the members of the Group Executive Management for the 2017 fiscal year.

The total compensation for the members of the Group Executive Management for the 2018 financial year (which is contingent upon approval of their variable compensation by the 2019 Annual General Meeting) is CHF 537,090 lower than in the previous year (-23.5%) due to the retirement of a member of the Executive Committee in March 2018 and the lower variable compensation.

For the 2018 financial year, the targets for the members of the Group Executive Management were significantly increased compared with the previous year. Therefore, due to the lower degree of target achievement and taking into account the fact that a member of the Group Executive Management retired in March 2018, a total variable compensation of CHF 360,046 is calculated, which is CHF 340,627 less than for the 2017 financial year. The variable compensation for the 2018 financial year will be proposed to the 2019 Annual General Meeting for subsequent approval.

The Annual General Meeting of May 17, 2018, approved maximum fixed total compensation for members of Group Executive Management of CHF 1,425,000 for the 2019 financial year. The fixed compensation figures for 2019 and a statement of the amount actually paid compared with the amount approved by the Annual General Meeting will be included in the 2019 Compensation Report.

At the Annual General Meeting on May 23, 2019, the Board of Directors will propose that maximum total fixed compensation of CHF 1,425,000 be approved for the members of the Group Executive Management for 2020. At the same time, it will propose that total variable compensation of CHF 360,046 be approved for the members of the Group Executive Management for 2018 (see above table: Compensation paid to the Group Executive Management for the 2018 and 2017 financial years).

3. BENEFITS AND CONTRACTUAL CONDITIONS ON LEAVING THE COMPANY

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

4. SHARE OWNERSHIP

As at December 31, 2018, the individual members of the Board of Directors and Group Executive Management (including associated persons) held the following numbers of shares in the company (audited figures):

Name	Position	12/31/2018 (Number)	12/31/2017 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	173,810	172,687
Hans Dreier	Member of the Board of Directors, head of IT/Logistics/Legal (until March 2018)	13,422	13,347
Christian Mäder	Member of the Board of Directors	-	-
Dr. Roland Waibel	Member of the Board of Directors	200	200
Michael Pieper	Vice Chairman of the Board (until AGM 2017)	n/a	156,686
René Rothen	CEO	1,340	1,112
Markus Reber	CFO	596	527
Valeria Poretti-Rezzonico	Head of Corporate HR/Communication	639	521

The increase in the number of shares held by the Board of Directors is attributable to acquisitions during the 2018 financial year. The change in the shareholdings of the members of Group Executive Management (including the member of Group Executive Management who retired in March 2018) is attributable to the shares allocated in the 2018 financial year as part of the variable remuneration for the 2017 financial year. In the course of 2018, individual members of the Group Executive Management sold shares whose vesting period had expired. Further information on management transactions can be found on the SIX Swiss Exchange website at the following link: www.six-exchange-regulation.com/en/home/publications/management-transactions.html?companyId=ADVAL

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

The company did not grant any other remuneration, loans or credit to directors and officers or associated persons, either in the 2018 financial year, or in the previous year.

6. COMPENSATION FOR FORMER DIRECTORS AND OFFICERS

No other compensation was paid to former members of governing bodies in the reporting year 2018 than the amounts disclosed in section 1.1 "Remuneration of the Board of Directors for 2018 and 2017" and in section 2.4 "Compensation paid to the Group Executive Management for the 2018 and 2017 financial years". In the 2017 financial year, no compensation was paid to former members of governing bodies.



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

We have audited the remuneration report of Adval Tech Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 59 to 69 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.

PricewaterhouseCoopers AG, Bahnhofplatz 10, Postfach, CH-3001 Bern, Switzerland
Telefon: +41 58 792 75 00, Telefax: +41 58 792 75 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

**Opinion**

In our opinion, the remuneration report of Adval Tech Holding AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in blue ink, appearing to read "OK".

Oliver Kuntze
Audit expert
Auditor in charge

A handwritten signature in blue ink, appearing to read "YJ".

Yvonne Jost
Audit expert

Bern, 21 March 2019

**FINANCIAL REPORT OF
THE ADVAL TECH GROUP FOR 2018**

CONSOLIDATED BALANCE SHEET

CHF 1,000	Notes	12/31/2018	12/31/2017
Liquid assets	5	27,488	18,084
Trade accounts receivable	6	27,629	31,354
Other receivables	7, 38	5,254	4,861
Advance payments to suppliers		1,222	421
Inventories and work in progress	8	37,594	34,714
Fixed assets held for sale	9	0	6,492
Prepaid expenses and accrued income	10	1,051	639
Total current assets		100,238	96,565
Tangible fixed assets	11	70,666	66,302
Financial assets	12	3,702	3,498
Intangible assets	13	3,860	4,846
Deferred tax assets	22	1,119	1,721
Total fixed assets		79,347	76,367
Total assets		179,585	172,932
Trade accounts payable	14	18,642	19,835
Short-term interest-bearing liabilities	15, 16, 20	898	1,137
Other short-term liabilities	16, 38	16,690	12,559
Prepaid income and accrued expenses	18	13,551	13,227
Short-term provisions	21	1,260	4,491
Accrued current income taxes		356	435
Total short-term liabilities		51,397	51,684
Long-term interest-bearing liabilities	17, 19, 20	859	1,304
Long-term provisions	21	2,108	2,503
Deferred tax liabilities	22	1,696	152
Total long-term liabilities		4,663	3,959
Total liabilities		56,060	55,643
Share capital	23	14,600	14,600
Capital reserves		97,710	100,595
Treasury shares		0	-117
Goodwill offset	13	-58,665	-62,362
Translation differences		-1,136	2,239
Retained earnings/accumulated losses	13	71,016	62,334
Total shareholders' equity		123,525	117,289
Total liabilities and shareholders' equity		179,585	172,932

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	2018	2017
Net sales from goods and services		166,440	162,157
Income from manufacturing orders (valued using the percentage-of-completion method)		24,866	38,171
Net turnover	25, 35	191,306	200,328
Change in inventories of semi-finished and finished goods		541	1,460
Own work capitalized		129	59
Other operating income	26	6,223	6,021
Total income		198,199	207,868
Cost of materials and services	27	-92,241	-101,038
Personnel expenses	28, 29	-62,504	-63,408
Other operating expenses	30	-22,733	-24,221
Operating expenses		-177,478	-188,667
Operating earnings before depreciation (EBITDA)		20,721	19,201
Depreciation on tangible fixed assets	11	-7,392	-7,591
Amortization on intangible fixed assets	13	-957	-923
Depreciation		-8,349	-8,514
Operating earnings (EBIT)		12,372	10,687
Financial income	31	2,078	3,355
Financial expenses	31	-2,325	-3,020
Net financial income		-247	335
Ordinary result		12,125	11,022
Extraordinary result	32	-347	-1,426
Non-operating result		0	0
Net result before income taxes		11,778	9,596
Income taxes	22, 33	-3,007	-849
Net result after income taxes		8,771	8,747
Net result after income taxes per share (CHF)¹⁾	33	12.02	11.98

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

in 1'000 CHF	Share capital	Capital reserves	Treasury shares	Share of goodwill offset	Translation difference	Retained earnings/ accum. losses	Total shareholders' equity
at January 1, 2017	14,600	130,525	-190	-61,598	-2,704	52,599	133,232
Restatement Goodwill	0	0	0	-956	0	956	0
at January 1, 2017 restated	14,600	130,525	-190	-62,554	-2,704	53,555	133,232
Net result after income taxes	0	0	0	0	0	8,747	8,747
Translation differences	0	0	0	0	4,943	0	4,943
Increase/decrease in share capital	0	0	0	0	0	0	0
Changes from sales of investments	0	0	0	0	0	0	0
Changes from purchases of investments	0	0	0	192	0	0	192
Dividends	0	0	0	0	0	-29,898	-29,898
Transfers	0	-29,930	0	0	0	29,930	0
Purchase/sale of treasury shares	0	0	73	0	0	0	73
at December 31, 2017	14,600	100,595	-117	-62,362	2,239	62,334	117,289
Net result after income taxes	0	0	0	0	0	8,771	8,771
Translation differences	0	0	0	0	-3,354	0	-3,354
Increase/decrease in share capital	0	0	0	0	0	0	0
Changes from sales of investments	0	0	0	3,697	-21	-56	3,620
Changes from purchases of investments	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	-2,918	-2,918
Transfers	0	-2,885	0	0	0	2,885	0
Purchase/sale of treasury shares	0	0	117	0	0	0	117
at December 31, 2018	14,600	97,710	0	-58,665	-1,136	71,016	123,525

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

The restatement as at 1 January 2017 was made as part of the adjustment for calculation differences in connection with the recycling of goodwill from 2013 and 2016. For details see Note 24.

CONSOLIDATED CASH FLOW STATEMENT

CHF 1,000	Notes	2018	2017
Net result after income taxes		8,771	8,747
Scheduled depreciation on tangible fixed assets	11	7,392	7,591
Impairment of tangible fixed assets	11	0	0
Scheduled amortization on intangible assets	13	957	923
Impairment of intangible assets	13	0	0
Increase (+) / decrease (-) in long-term and short-term provisions	21	-3,287	-2,248
Increase (+) / decrease (-) in provision for deferred income taxes (net position)	22	2,107	-314
Gain (-) / loss (+) on sales of tangible fixed assets		-687	-176
Other transactions with no impact on liquidity		-609	433
<i>Cash flow from operating activities before change in net current assets</i>		<i>14,644</i>	<i>14,956</i>
Increase (-) / decrease (+) in receivables		1,330	5,040
Increase (-) / decrease (+) in inventories	8	-4,464	-14,575
Increase (-) / decrease (+) in prepaid expenses and accrued income		-506	6,685
Increase (+) / decrease (-) in trade accounts payable		-4,293	2,395
Increase (+) / decrease (-) in other short-term liabilities, prepaid income and accrued expenses		6,941	-11
Cash flow from operating activities		13,652	14,490
Capital expenditure	11	-10,443	-17,405
Income from sales of tangible fixed assets	11	7,360	281
Investments in financial assets	12	-1,529	-1
Income from sales of financial assets	12	2,223	0
Net cash outflow from investments in financial assets		-1,581	-2,507
Net cash inflow from divestments of financial assets		2,855	57
Cash used for investing activities		-1,115	-19,575
Free cash flow		12,537	-5,085
Dividend paid		-2,918	-29,898
Purchase (-) / sale (+) of treasury shares		-29	-91
Increase (+) / decrease (-) in short-term interest-bearing liabilities	15	-206	-507
Increase (+) / decrease (-) in long-term interest-bearing liabilities	19	285	-470
Cash flow from financing activities		-2,868	-30,966
Translation differences		-265	264
Changes in liquid assets		9,404	-35,787
Liquid assets on December 31		27,488	18,084
Liquid assets on January 1		18,084	53,871
Changes in liquid assets		9,404	-35,787

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

1.1 Principles of preparing the financial statements

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

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

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

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

1.2 Consolidation principles

Capital consolidation is performed according to the purchase method.

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

- Companies in which Adval Tech Holding AG holds a direct or indirect voting interest of **more than 50%** and/or exercises management and control are fully consolidated. In such cases, assets and liabilities, expenses and income are included in full in the consolidated financial statements. If appropriate, minority interests of other shareholders in net assets and net profit are segregated and stated separately. Accounts receivable, accounts payable, income and expenses between Group companies are offset. Intragroup profits or losses on intercompany deliveries are eliminated via the income statement.
- Associated companies over which the Group exercises significant influence, but neither controls nor manages, are included in the consolidated financial statements using the equity method. This is usually the case with investments in which Adval Tech holds an interest of **20% to 50%**. The share of profits and shareholders' equity attributable to the Adval Tech Group is then included.
- Investments over which Adval Tech exercises no significant influence, usually interests of **less than 20%**, are included in the balance sheet at purchase prices less any value adjustment.

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

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

1.3 Foreign currency translation

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

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

- The balance sheets of companies which do not prepare their financial statements in the Group's reporting currency are translated at year-end exchange rates and their income statements at average rates for the year. The differences arising from translation are directly credited or debited to shareholders' equity.
- Gains or losses on currency transactions by the companies are posted to the income statement.
- Exchange rate differences arising on loans granted to Group companies by the parent company for long-term financing of investments are posted directly to shareholders' equity if the loan was granted in the book currency of the lender or the borrower.

1.4 Derivative financial instruments

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

1.5 Liquid assets

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

1.6 Receivables

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

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

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

1.7 Inventories and work in progress

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

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

1.8 Assets held for sale

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

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accrued depreciation, which is calculated using the straight-line method on the basis of estimated useful life. In the case of buildings we apply a useful life of 30 to 40 years. Interior finishing of the buildings and their equipment are amortized over 8 to 15 years. For plant and machinery we apply a useful life of 5 to 15 years, for especially long-lived machinery up to 25 years. For workshop, storage and office equipment included in "Other tangible fixed assets" and for vehicles and IT hardware and software we assume a useful life of 3 to 15 years. Leased fixed assets are amortized over the planned duration of the project. Repair and maintenance expenses are charged to income. Extensive equipment overhauls are only capitalized if they result in measurable capital appreciation in the form of higher performance or a longer useful life. Interest expenses arising during the erection of the plant are debited to income.

1.10 Financial assets

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

1.11 Intangible assets

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

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

1.12 Leasing of capital goods

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

1.13 Impairment of assets

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

1.14 Liabilities

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

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

1.15 Provisions

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

1.16 Pensions, payments to employees

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

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

1.17 Equity

The following distinctions are made in respect of reserves:

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

1.18 Income recognition

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

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

1.19 Income taxes

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

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

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

1.20 Relationships with related parties

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

1.21 Share-based payment

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

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risks

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

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

2.2 Interest rate risk

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

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

2.3 Credit risk

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

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

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

2.4 Currency risks

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

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

2.5 Liquidity risk

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

3. SUBTOTALS ON THE INCOME STATEMENT AND CASH FLOW STATEMENT

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

3.1 Income statement

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

3.2 Cash flow statement

Cash flow from operating activities before changes in net current assets	Net result after income taxes plus depreciation and amortization plus or minus change in short-term and long-term provisions, change in provisions for deferred income taxes, gain/loss on sales of tangible fixed assets, other transactions with no impact on liquidity.
Free cash flow	Sum of cash flow from operating activities and cash flow from investing activities.
Operative free cash flow	Free cash flow without cash flow from change of scope in consolidation

3.3 Balance sheet figures

Operating net current assets	Trade accounts receivable plus prepayments to suppliers plus inventories minus trade accounts payable minus prepayments from customers minus invoices not yet paid
Net debt	Cash and cash equivalents less short-term interest-bearing liabilities less long-term interest-bearing liabilities
Net financial position	If net debt is negative, we speak of a net financial position.

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%
Adval Tech Immobilien AG	Niederwangen, Switzerland	TCHF 100	100%
Adval Tech (Switzerland) AG	Niederwangen, Switzerland	TCHF 3,050	100%
Adval Tech do Brasil Indústria de Autopeças Ltda.	São José dos Pinhais PR, Brazil	TBRL 939	100%
Adval Tech (US) Inc.	Cleveland, OH, USA	TUSD 1	100%
Adval Tech Holding (Germany) GmbH	Endingen, Germany	TEUR 25	100%
Adval Tech (Germany) GmbH & Co. KG	Endingen, Germany	TEUR 1,132	100%
Adval Tech (Germany) Verwaltungs GmbH	Endingen, Germany	TEUR 51	100%
Adval Tech (Mexico) S.A. de C.V.	Querétaro, Mexico	TUSD 3	100%
Adval Tech (Hungary) Kft.	Szekszárd, Hungary	TEUR 990	100%
Adval Tech (Hungary) Plant 2 Kft.	Szekszárd, Hungary	TEUR 11	100%
Adval Tech (Grenchen) AG	Grenchen, Switzerland	TCHF 2,000	100%
Adval Tech Holdings (Asia) Pte. Ltd	Singapore	TUSD 2,267	100%
Adval Tech (Suzhou) Co. Ltd	Suzhou, China	TUSD 9,660	100%
Adval Tech (Malaysia) Sdn. Bhd.	Johor, Malaysia	TUSD 505	100%
Omni Plastics (Shanghai) Co. Ltd	Shanghai, China	TUSD 1,100	100%
Omni Engineering Shanghai Co. Ltd	Shanghai, China	TUSD 2,800	100%

At the end of August 2018, 100 % of the shares in Adval Tech (Thailand) Co. Ltd, Rayong, Thailand, were sold to Sunningdale Tech Ltd in Singapore. There were no other changes in the scope of consolidation.

The company sold produced plastic components for the consumer goods and automotive industries. The initial balance sheet of the sold company was as follows:

CHF 1,000	
Liquid assets	112
Receivables	854
Inventories	293
Prepaid expenses and accrued income	13
Current assets	1,272
Tangible fixed assets	130
Financial assets	246
Non-current assets	376
Total assets	1,647
Short-term liabilities	635
Prepaid income and accrued expenses	143
Short-term debt	777
Long-term debt	997
Liabilities	1,774
Shareholders' equity	-127
Total liabilities & shareholders' equity	1,647

In the previous year, the scope of consolidation changed as follows:

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

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

Exchange rates

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

	On Dec. 31, 2018	Average in 2018	On Dec. 31, 2017	Average in 2017
BRL	0.25326	0.26933	0.29607	0.30865
CNY	0.14297	0.14805	0.14999	0.14568
EUR	1.12544	1.15503	1.17056	1.11134
HKD	0.12556	0.12485	0.12549	0.12636
THB	0.03008	0.03027	0.02994	0.02902
USD	0.98336	0.97848	0.98085	0.98459

5. LIQUID ASSETS

Liquid assets include:

CHF 1,000	12/31/2018	12/31/2017
Cash	10	13
Postal account	16	11
Banks	27,359	17,964
Fixed-term deposits	103	96
Total liquid assets	27,488	18,084

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

6. TRADE ACCOUNTS RECEIVABLE

CHF 1,000	12/31/2018	12/31/2017
Total trade receivables (gross)	27,999	31,710
Impairment charges (allowance for doubtful receivables)	-370	-356
Total trade receivables (net)	27,629	31,354
of which: trade receivables from third parties	27,629	31,354

CHF 6.7 million of receivables was overdue on the balance sheet date (previous year: CHF 6.8 million), of which CHF 2.3 million by more than 30 days (previous year: CHF 2.6 million).

In the past three years losses on receivables have been in the region of 0.1% of total income. Provisions for receivables are as follows:

CHF 1,000	2018	2017
Total on January 1	-356	-412
Provision made	-15	-42
Utilized	0	0
Released	0	95
Changes in the scope of consolidation	0	0
Currency translation differences	1	3
Total on December 31	-370	-356

7. OTHER RECEIVABLES

CHF 1,000	12/31/2018	12/31/2017
Positive fair values of derivative financial instruments	0	2
Other current receivables, third parties	5,254	4,859
Total other receivables	5,254	4,861

8. INVENTORIES AND WORK IN PROGRESS

CHF 1,000	12/31/2018	12/31/2017
Trading goods	562	449
Raw material	7,981	8,528
Semi-finished and finished goods	15,272	17,597
Work in progress long-term orders	17,688	14,069
Work in progress other orders	2,738	4,284
Provisions	-6,647	-10,213
Total inventories and work in progress	37,594	34,714

Total inventories and work in progress includes CHF 0.1 million stated at net realizable value (previous year: CHF 1.0 million).

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

CHF 1,000	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term orders	20,284	-2,596	17,358	-3,289
Advance payments by customers	-2,596	15,985	-3,289	11,828
Net assets from work in progress long-term orders	17,688	0	14,069	0
Net liabilities from work in progress long-term orders	0	13,389	0	8,539

The manufacturing costs of orders valued using the percentage-of-completion method totalled CHF 16.6 million (CHF 14.0 million in 2017). The stated income was CHF 3.7 million (CHF 3.4 million in 2017). Advance payments by customers for work in progress on other orders have also been offset against inventories.

CHF 1,000	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term orders	2,768	0	4,284	0
Advance payments by customers	-30	1,067	0	1,326
Net assets from work in progress long-term orders	2,738	0	4,284	0
Net liabilities from work in progress long-term orders	0	1,067	0	1,326

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

9. FIXED ASSETS HELD FOR SALE

In the previous year, the factory and office building in Muri AG held for sale was reported under this item. The property was sold to third parties in the first half of 2018.

10. PREPAID EXPENSES AND ACCRUED INCOME

At CHF 1.1 million for the reporting period, prepaid expenses and accrued income are CHF 0.5 million higher than in the previous year (CHF 0.6 million). This rise is largely attributable to Hungary and Switzerland.

11. TANGIBLE FIXED ASSETS

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

CHF 1,000	Land	Buildings	Production equipment and machinery	Other tangible assets	Leased equipment	Installations under construction	Total
at cost							
at January 1, 2017	5,077	55,297	75,936	18,333	8,034	1,891	164,568
Changes in the scope of consolidation	0	0	0	0	0	0	0
Capital expenditure	0	11,590	2,360	938	431	2,260	17,578
Disposals	0	0	-4,447	-2,225	0	0	-6,672
Other changes/transfers	0	0	176	28	0	0	204
Change in accum. translation difference	129	1,672	1,301	276	90	177	3,645
at December 31, 2017	5,206	68,559	75,326	17,350	8,555	4,328	179,324
Changes in the scope of consolidation	0	-423	-5,273	-117	-16	0	-5,829
Capital expenditure	579	1,794	11,876	791	0	-1,181	13,859
Disposals	-2,004	-15,309	-3,595	-2,588	0	-294	-23,790
Other changes/transfers	0	0	7,748	1,008	0	0	8,756
Change in accum. translation difference	-58	-1,134	-1,583	-673	-56	-61	-3,565
at December 31, 2018	3,723	53,487	84,499	15,771	8,483	2,792	168,755
Accumulated depreciation							
at January 1, 2017	0	-32,325	-49,589	-15,717	-6,608	0	-104,239
Changes in the scope of consolidation	0	0	0	0	0	0	0
Scheduled depreciation	0	-1,638	-5,008	-746	-199	0	-7,591
Impairment	0	0	0	0	0	0	0
Disposals	0	0	4,320	2,154	0	0	6,474
Other changes/transfers	0	0	-176	-28	0	0	-204
Change in accum. translation difference	0	-130	-672	-219	52	0	-969
at December 31, 2017	0	-34,093	-51,125	-14,556	-6,755	0	-106,529
Changes in the scope of consolidation	0	417	5,148	117	16	0	5,698
Scheduled depreciation	0	-1,756	-4,345	-1,025	-266	0	-7,392
Impairment	0	0	0	0	0	0	0
Disposals	0	10,968	3,498	2588	1	0	17,070
Other changes/transfers	0	0	-7,748	-1,008	0	0	-8,756
Change in accum. translation difference	-1	158	1,227	448	3	0	1,820
at December 31, 2018	-1	-24,306	-53,345	-13,436	-7,001	0	-98,089
Book values							
at January 1, 2017	5,077	22,972	26,347	2,616	1,426	1,891	60,329
at December 31, 2017	5,206	34,466	24,200	2,794	1,800	4,328	72,794
at December 31, 2018	3,722	29,181	31,154	2,335	1,482	2,792	70,666
Of which leased installations (finance Lease)							
at January 1, 2017	0	0	4,121	0	0	0	4,121
at December 31, 2017	0	0	3,807	0	0	0	3,807
at December 31, 2018	0	0	3,275	0	0	0	3,275
Of which held for sale (book values)							
at January 1, 2017	0	0	0	0	0	0	0
at December 31, 2017	2,004	4,440	48	0	0	0	6,492
at December 31, 2018	0	0	0	0	0	0	0

In the year under review, other changes/transfers include the reactivation of plants as part of the relocation of production from Switzerland to Germany and Hungary. These assets were originally intended for scrapping and were therefore no longer included in the statement of changes in tangible fixed assets. There is no effect on the net book values, as all assets are fully depreciated.

The Adval Tech Group does not hold any undeveloped land. In the previous year, part of Adval Tech's sales activities, tangible fixed assets with a book value of CHF 6.5 million were reclassified to current assets. The corresponding property was sold in the first half of 2018.

As at December 31, 2018, there were no outstanding orders for assets that had not been delivered or invoiced and were therefore not yet recognized as tangible fixed assets (previous year: CHF 0.02 million).

As at December 31, 2018, assets under construction included CHF 0.01 million in advance payments for tangible fixed assets (previous year: CHF 4.0 million).

12. FINANCIAL ASSETS

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

CHF 1,000	12/31/2018	12/31/2017
Receivables from finance lease contracts	3,606	3,156
Other long-term receivables	96	342
Total financial assets	3,702	3,498

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

CHF 1,000	12/31/2018	12/31/2017
within 1 year	2,664	2,091
in 2 to 5 years	4,125	3,156
Total future leasing income	6,789	5,247

The nominal value of these receivables totalled CHF 7.1 million (CHF 5.8 million in 2017).

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

13. INTANGIBLE ASSETS

The following statement of changes in intangible assets applies for 2018:

CHF 1,000	Capitalized development costs	Others	Total
at cost			
at December 31, 2017	13,954	4,614	18,568
Changes in the scope of consolidation	0	0	0
Investments acquired	0	0	0
Investments generated in-house	0	0	0
Disposals	0	0	0
Other changes	-23	0	-23
Change in accumulated translation difference	-52	10	-42
at December 31, 2018	13,879	4,624	18,503
Accumulated amortization			
at December 31, 2017	-9,128	-4,594	-13,722
Changes in the scope of consolidation	0	0	0
Scheduled depreciation	-957	0	-957
Impairment	0	0	0
Disposals	0	0	0
Other changes	0	0	0
Change in accumulated translation difference	49	-13	36
at December 31, 2018	-10,036	-4,607	-14,643
Book values			
at December 31, 2017	4,826	20	4,846
at December 31, 2018	3,843	17	3,860

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

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

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

The goodwill arising from the acquisitions of Adval Tech (Grenchen) AG (June 1, 2005), Adval Tech (Hungary) Kft. and Adval Tech (Hungary) Plant 2 Kft. (May 1, 2007), Adval Tech Holdings (Asia) Pte. Ltd (January 16, 2008) and Adval Tech (Germany) GmbH & Co. KG (formerly Fischer IMF GmbH & Co. KG) (April 1, 2016) was offset against the equity on the date of acquisition.

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

CHF 1,000	2018	2017
Total at January 1	55,554	55,045
Restatement ¹⁾	0	956
Additions	0	192
Disposals resulting from sale of investments ²⁾	-3,697	0
Currency translation differences resulting from changes in investments	576	0
Change in the cumulative currency difference	-20	-639
Total at December 31	52,413	55,554

1) Restatement effect from difference Goodwil Recycling 2013 and 2016 according to note 24

2) 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	2018	2017
Total at January 1	-54,558	-39,426
Restatement ¹⁾	0	-243
Disposals resulting from sale of investments ²⁾	3,697	0
Currency translation differences resulting from changes in investments	-576	0
Simulated depreciation	-1,159	-4,824
Impairment losses	0	-10,657
Change in accumulated translation difference	215	592
Total at December 31	-52,381	-54,558

1) Restatement effect from difference Goodwil Recycling 2013 and 2016 according to Note 24
 2) at average exchange rates

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

The theoretical net book value of the goodwill amounts to:

CHF 1,000	2018	2017 ¹⁾
Total at December 31	33	996

1) restated

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

CHF 1,000	2018	2017
Net result	8,771	8,747
Restatement	0	713
Simulated depreciation / Impairment losses	-1,159	-15,481
Theoretical net result	7,612	-6,021
Equity	123,525	117,289
Theoretical value of goodwill	33	996
Theoretical equity	123,558	118,285

14. TRADE ACCOUNTS PAYABLE

The trade accounts payable decreased by CHF 1.2 million. There were no trade accounts payable to related parties on December 31, 2018 or at the end of the previous year.

15. SHORT-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2018	12/31/2017
Banks	0	124
Short-term leasing liabilities to third parties	898	1'013
Short-term interest-bearing liabilities	898	1'137

The short-term bank loans are covered by liquid assets of CHF 27.5 million (previous year: CHF 18.1 million) (gross figures). The short-term leasing liabilities to third parties relate to the finance leases for tangible fixed assets at European locations.

16. OTHER SHORT-TERM LIABILITIES

CHF 1,000	12/31/2018	12/31/2017
Advance payments by third parties	14,426	5,653
Other short-term liabilities to third parties	2,264	6,896
Negative replacement value of derivative instruments	0	10
Total other short-term liabilities	16,690	12,559

Advance payments by third parties have risen by CHF 8.8 million year-on-year. The drop in the other short-term liabilities to CHF 2.3 million as at December 31, 2018 (previous year: CHF 6.9 million) is mainly attributable to Germany, Hungary and Switzerland. The item also contains CHF 0.4 million in payment obligations arising from the purchase of Adval Tech (Germany) GmbH & Co. KG in 2016 (2017: CHF 2.5 million).

17. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	12/31/2018	12/31/2017
Face value of liabilities arising from leasing contracts due		
within 1 year	908	1,053
in 2 to 5 years	875	1,327
Total future payment commitments	1,783	2,380
less proportionate interest on the payments	-26	-63
<i>Net present value of liabilities arising from finance leases</i>	<i>1,757</i>	<i>2,317</i>
of which short-term leasing liabilities	898	1,013
of which long-term leasing liabilities	859	1,304

The leasing liabilities relate to leased production facilities, primarily in Germany. They were CHF 0.6 million down on the figure for December 31, 2017.

18. PREPAID INCOME AND ACCRUED EXPENSES

CHF 1,000	12/31/2018	12/31/2017
Accrued expenses	6,182	9,037
Invoices not yet received	7,369	4,190
Total prepaid income and accrued expenses	13,551	13,227

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

19. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2018	12/31/2017
Long-term leasing liabilities – third parties	859	1,304
Total long-term interest-bearing liabilities	859	1,304

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

20. FINANCIAL LIABILITIES

Recognition principles and conditions are shown in the following tables:

	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Balance on Dec. 31, 2018				
Bank current accounts	0	0	Current	0.00%
Lease liabilities, short-term	898	TEUR 679	Current	2.6%–3.5%
Lease liabilities, long-term	859	TEUR 303	1–5 years	1.0%–3.7%
Total financial liabilities	1,757			

Financial liabilities for 2017 are as follows:

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

21. PROVISIONS

CHF 1,000	Warranty provisions	Payments to employees	Restructuring provisions	Other provisions	Total
Long-term provisions at December 31, 2017	294	766	262	1,181	2,503
Short-term provisions at December 31, 2017	566	0	3,055	870	4,491
Total at December 31, 2017	860	766	3,317	2,051	6,994
Change in the scope of consolidation	0	0	-293	0	-293
Addition	0	10	0	782	792
Utilization	-140	0	-2,188	-516	-2,844
Release of provisions no longer required	-397	-73	-410	-355	-1,235
Difference arising from currency translation	1	-4	0	-43	-46
Total at December 31, 2018	324	699	426	1,919	3,368
Long-term provisions at December 31, 2018	319	699	426	664	2,108
Short-term provisions at December 31, 2018	5	0	0	1,255	1,260
Total at December 31, 2018	324	699	426	1,919	3,368

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

Provisions for restructuring include provisions of CHF 0.2 million (previous year: CHF 2.1 million) for the closure of the production site in Uetendorf. Provisions were originally established for the estimated net costs for present supply obligations until closure of the site and the expected costs of relocating production to other sites within the Group. For restructuring of the site in Thailand there is no provision left (2017: CHF 0.9 million). Restructuring of the site in Brazil has not yet been completed. The provisions set up for this in previous periods were stated at CHF 0.2 million on the reporting date.

Other provisions include CHF 0.8 million (previous year: CHF 0.8 million) for expected future payments in connection with the sale of Companies in 2016. Further, total provisions of CHF 0.3 (previous year: CHF 0.5 million) were recognized for dismantling expenses for rented buildings and impending losses on orders. The provision for foreign withholding taxes whose refundability is doubtful amounts to CHF 0.5 million (previous year: 0.4 million). Provisions of 0.5 million (previous year: CHF 0.4 million) were recognized for other items.

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

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

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

The breakdown is explained above.

22. DEFERRED INCOME TAXES

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

CHF 1,000	12/31/2018	12/31/2017
Deferred tax liabilities	-1,696	-152
Deferred tax assets	1,119	1,717
Total deferred income taxes	-577	1,565

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

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

	2018	2017
Average applicable tax rate before considering loss carryforwards	20.10%	15.29%
Impact of deferred tax assets from loss carryforwards	-2.63%	0.87%
Average applicable tax rate after considering loss carryforwards	17.47%	16.16%

CHF 5.1 million in uncapitalized losses was posted in the local financial statements (2017: CHF 10.3 million). These largely stem from the investment holdings in Germany and Hungary.

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

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

CHF 1,000	2018	2017
Total at January 1	1,721	1,427
Change in the scope of consolidation	-4	0
Creation	378	642
Utilization	-937	-355
Other adjustments	0	0
Translation difference	-39	7
Total at December 31	1,119	1,721

Provisions for deferred tax liabilities developed as follows:

CHF 1,000	2018	2017
Total at January 1	152	181
Change in scope of consolidation	-4	0
Additions	1,636	73
Transfers	-88	-100
Release	0	0
Currency translation differences	0	-2
Total at December 31	1,696	152

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

Tax losses amounting to CHF 25.3 million existing on December 31, 2018 (CHF 29.4 million in 2017) 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	12/31/2018	12/31/2017
expiring in 1 year	37	932
expiring in 2 years	19	32
expiring in 3 years	728	699
expiring in 4 years	2,408	3,384
expiring in 5 years	5,992	2,409
expiring in more than 5 years	16,147	21,897
Total	25,331	29,353

23. STATEMENT OF SHARE CAPITAL

The share capital was as follows on December 31, 2018:

	Registered shares
at January 1, 2018	730,000
at December 31, 2018	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	0

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

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application, if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Art. 6 of the Articles of Incorporation of Adval Tech Holding AG dated June 19, 2012, purchasers of shares in excess of 10% of the registered capital stock recorded in the Commercial Register will not be entered with voting rights. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. The Annual General Meeting of June 19, 2012 raised the voting rights restriction from 5% to 10%.

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

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

Holdings of treasury shares have developed as follows:

	2018	2017
Treasury shares held at January 1	507	800
Purchases (shares)	114	400
Issued to employees (shares)	-621	-693
Treasury shares held at December 31	0	507
Average purchase price (CHF)	251	227
Average value for issues (CHF)	234	237

All treasury shares are held by Adval Tech Management AG.

Under the existing remuneration policies, 621 shares were granted to management staff in the year under review as part of their variable compensation (previous year: 693 shares).

Non-distributable reserves in the Group's shareholders' equity amounted to CHF 11.4 million at the end of the year under review (CHF 10.2 million in 2017). Retained earnings do not include any revaluation reserves.

24. CAPITAL RESERVES

An error was identified in the goodwill recycling for the investment in Adval Tech (Thailand) Co. Ltd. sold at the end of August 2018. The goodwill recycling for the years 2013 and 2016 was based on too high an underlying value. A total of CHF 0.956 million too much goodwill was recycled, which had no impact on the operating result, the cash flow statement or the total equity of the consolidated financial statements for 2013 and 2016.

The correction of surplus recycled goodwill in the statement of changes in equity is made via restatement as at January 1, 2017.

25. NET TURNOVER

CHF 1,000	2018	2017
Net income from deliveries and services	168,765	164,323
Income from manufacturing orders (valued using the percentage-of-completion method)	24,866	38,171
Revenue deductions	-2,325	-2,166
Total net turnover	191,306	200,328

Net turnover for 2018 came to CHF 191.3 million, a decrease of CHF 9.0 million. The change is largely due to the sale of Adval Tech Thailand and the decline in demand due to the delayed introduction of the new process for testing exhaust emissions in the automotive industry in Europe.

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

26. OTHER OPERATING INCOME

CHF 1,000	2018	2017
Other operating income from third parties	6,024	5,826
Other operating income from related parties	8	8
Gains from sales of tangible fixed assets	191	187
Total other operating income	6,223	6,021

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

27. COST OF MATERIALS AND SERVICES

The material and service expenses rose by CHF 8.8 million year on year. As a proportion of total income, they increased by 2.1 percentage points to 46.5%. This was mainly due to the sale of the Molds segment, which had featured in the income statement for eight months of the previous year and had typically entailed lower material costs.

28. PERSONNEL EXPENSES

The average number of employees decreased by 3 FTEs to 1,368 FTEs in 2017 (1,371 FTEs in 2017). The drop in average headcount is also a reflection of changes in the Group structure. The number of employees totalled 1,288 FTEs at the balance sheet date (1,399 FTEs in 2017).

29. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

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

	Nominal value on 12/31/2018	Utilization waiver 12/31/2018	Balance 12/31/2018	Payment/ repayment 2018	Effect on personnel expenses 2018	Effect on financial result 2018
CHF 1,000						
Pension funds excl. surplus/shortfall	0	0	0	0	-1	0

The personnel expense of CHF 1000 recorded in the year under review results from the use of the interest on the employer contribution reserves for 2017 recorded at the end of 2017. After the use in January 2018, there were no more employer contribution reserves.

In the previous year:

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

CHF 0.0 million was debited from personnel expenses in the year under review to finance contributions (CHF 0.3 million in 2017). Interest is calculated on the employers' contribution reserves in accordance with the foundation's performance, but at no more than the rate on the savings accounts.

Financial benefit/financial obligations and pension expenses for 2018 and 2017 are as follows:

CHF 1,000	Surplus 12/31/2018	Financial share of the organization		Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period ¹⁾	Pension expenses in 2018
	12/31/2018	12/31/2018	12/31/2017			
Pension fund of Adval Tech Holding AG incl. surplus	0	0	0	0	1,839	1,840
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	0	152
Total	0	0	0	0	1,839	1,992

1) including result from employer's contribution reserves

In the previous year:

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

1) including result from employer's contribution reserves

The pension fund of Adval Tech Holding AG is a legally independent foundation. It is subject to Swiss occupational pensions legislation. All employees of the Swiss companies in the Adval Tech Group are members of this pension fund. As at December 31, 2018, the cover ratio was 110% (previous year: 117%). The Adval Tech Group is not expected to derive any economic benefit from the pension fund.

The above data is based on the financial statements of the pension funds at December 31, 2018 (or December 31, 2017), prepared in accordance with Swiss GAAP FER 26.

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

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

30. OTHER OPERATING EXPENSES

CHF 1,000	2018	2017
Maintenance, repair, replacements, operating materials	-8,341	-8,720
Premises, energy	-5,964	-6,408
Insurance, office and administration expenses	-3,988	-4,109
Marketing, sales and distribution expenses	-3,912	-4,262
Sundry operating expenses	-528	-722
Total other operating expenses	-22,733	-24,221

Other operating expenses in the reporting period were down by CHF 1.5 million on the year-back figure. In relation to total income, other operating expenses declined from 11.7% in 2017 to 11.5% in the reporting period. The "Sundry operating expenses" line item also includes CHF 0.01 million in losses on the sale of tangible fixed assets (2017: CHF 0.01 million).

31. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1,000	2018	2017
Interest earned	448	635
Currency gains	1,431	2,694
Gains on derivative financial instruments	6	22
Other financial income	193	4
Total financial income	2,078	3,355
Interest paid	-290	-224
Bank charges and fees	-163	-200
Currency losses	-1,439	-1,202
Unrealized translation differences	-357	-1,168
Losses on derivative financial instruments	0	-17
Other financial expenses	-76	-209
Total financial expenses	-2,325	-3,020
Financial result	-247	335

Total currency loss of CHF 0.4 million were posted in the year under review (previous year: gain of CHF 0.3 million). The main reason for this is the strengthening of the Swiss franc against the euro.

Net interest income of CHF 0.2 million, generated by finance leases with customers, was posted in the year under review. (Previous year: net interest expense of CHF 0.4 million).

32. EXTRAORDINARY RESULT

CHF 1,000	2018	2017
Restructuring measures	-837	-2,065
Cooperation projects	505	639
Result from the sale of investments	7	0
Result from the purchase of investments	-22	0
Extraordinary result	-347	-1,426
Non-operating result	0	0
Total extraordinary result	-347	-1,426

The restructuring expenses posted in the year under review relate to the restructuring projects launched in 2016 at the locations in Switzerland, Germany and Hungary.

The result from the sale of investments is related to the sale of the investment in Thailand and the sale of the Molds segment in 2016. Goodwill of CHF 3.7 million from the sale of the investment in Thailand, which had previously been offset against equity, was recycled through the income statement (see statement of changes in equity). On the other hand, the sale of the Molds segment in the first half of 2018 resulted in a final payment of the purchase price, which was booked to this item in the income statement.

33. INCOME TAXES

CHF 1,000	2018	2017
Current income taxes	-900	-1,163
Change in provision for deferred taxes	-2,107	314
Total tax expenses	-3,007	-849

The change in the provision for deferred taxes includes CHF -0.6 million from capitalized loss carryforwards (previous year: CHF 0.2 million). In addition, provisions for deferred tax liabilities of CHF 1.5 million were recognized in 2018 due to temporary differences.

34. 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.

35. INCOME BY REGION

Income by region is as follows:

	CHF 1,000	2018	2017
Net turnover	191,306	100%	200,328
<i>Europe</i>	<i>135,372</i>	<i>71%</i>	<i>144,981</i>
- of which Switzerland	9,439	5%	7,447
- of which Germany	90,331	47%	107,399
- of which France	6,388	3%	8,165
<i>Asia</i>	<i>23,069</i>	<i>12%</i>	<i>23,901</i>
- of which China	14,247	7%	13,497
<i>North America</i>	<i>11,311</i>	<i>6%</i>	<i>11,165</i>
<i>Latin America</i>	<i>20,447</i>	<i>11%</i>	<i>18,439</i>
<i>Australia and Oceania</i>	<i>734</i>	<i>0%</i>	<i>1,067</i>
<i>Africa</i>	<i>373</i>	<i>0%</i>	<i>775</i>
			<i>0%</i>

Countries are allocated to regions in conformity with the allocation in Swiss National Bank statistics. No turnover was generated with related parties in the year under review (previous year: CHF 0.0 million).

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

36. PLEDGED ASSETS

The carrying amount of pledged items of tangible fixed assets amounted to CHF 1.7 million as of December 31, 2018 (previous year: CHF 2.2 million). The pledge listed serves as security for bank loans and credit lines.

37. CONTINGENT AND FUTURE LIABILITIES

	CHF 1,000	12/31/2018	12/31/2017
Contingent liabilities in favor of third parties		15,141	5,368
Liabilities arising from leases		8,945	11,517
Liabilities arising from operating leases		576	1,170

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

Future rental payments fall due as follows: CHF 1.6 million (CHF 2.4 million in 2017) within 1 year, CHF 3.9 million (CHF 4.9 million in 2017) in 2 to 5 years, CHF 3.4 million (CHF 4.2 million in 2017) in more than 5 years.

Payments deriving from operating leases fall due as follows: CHF 0.4 million (CHF 0.6 million in 2017) within 1 year, CHF 0.2 million (CHF 0.5 million in 2017) within 2 to 5 years.

38. FINANCIAL INSTRUMENTS

Market values are calculated on the basis of individual valuations of the outstanding instruments at the balance sheet date. No financial instruments for limiting financial risks existed at the balance sheet date.

As at the end of 2017, the currency hedges were as follows:

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

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

39. TRANSACTIONS WITH RELATED PARTIES

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

- the pension fund of Adval Tech Holding AG
- Artemis Holding AG, Hergiswil, and its Group companies
- Ypsomed Holding AG, Burgdorf, and the companies of the Ypsomed Group
- Techpharma Management AG, Burgdorf
- Feintool International Holding AG, Lyss, and the companies of the Feintool Group
- Forbo Holding AG, Baar, and the companies of the Forbo Group
- Autoneum Holding AG, Winterthur, and the companies of the Autoneum Group
- Rieter Holding AG, Winterthur, and the companies of the Rieter Group
- Arbonia AG, Arbon, and the companies of the Arbonia Group
- the members of the Board of Directors and the Group Executive Management, including members who left the company in the reporting period
- Grapha Holding AG, Hergiswil, and Rudolf B. Müller
- Hansruedi Bienz, Oberbottigen

No significant turnover was generated with related parties 2017 and in the year under review. As at the balance sheet dates, no receivables were due from related parties and there were no liabilities to related parties.

40. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

41. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were released on March 21, 2019 for publication by the Board of Directors of Adval Tech Holding AG and a motion for their approval was submitted to the Annual General Meeting of shareholders of Adval Tech Holding AG.



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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Adval Tech Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 74 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

Overview



Overall Group materiality: CHF 960'000

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

Our audit scope addressed 77.7% of the net turnover and 74.8% of the assets of the Group.

Additionally, specified audit procedures were concluded at a further 5 Group companies which cover a further 17.6% of the net turnover and 19.8% of the assets of the Group.

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

- Income recognition

PricewaterhouseCoopers AG, Bahnhofplatz 10, PO Box, 3001 Bern
Telephone: +41 58 792 75 00, Facsimile: +41 58 792 75 10, www.pwc.ch

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



Materiality

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

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

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

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

Audit scope

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

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

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



Income recognition

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>We consider income recognition as a key audit matter because there is a risk that the contractually agreed point of time at which risks and benefits of ownership pass to the customer is not recognised correctly in the financial statements. In addition, revenues arising from manufacturing orders are highly dependent on the judgement of Management in determining the stage of completion of the order.</p> <p>During our audit, therefore, we focussed on the correct recognition in the financial statements of the transfer of risk and responsibility and on the key assumptions used in estimating the stage of completion of manufacturing orders.</p> <p>Please refer to note 1.18 (Income recognition and note 25 (Net turnover) and note 8 (Inventories and work in progress) in the notes to the consolidated financial statements 2018.</p>	<p><i>Income recognition – Accrual</i></p> <p>We performed the following audit procedures:</p> <ul style="list-style-type: none">• We assessed the consistent application of the income recognition principles for the various sources of revenue and, on a sample basis, the correct recognition in the financial statements of the transfer of risk and benefits of ownership in the period before and after the balance sheet date by reference to the associated delivery notes and/or contracts.• Our work also comprised a sample-based check of manual journal entries relating to income.• Further, we obtained a sample of confirmations of accounts receivable as at the balance sheet date and we checked a sample of credit notes issued and returns for the period from the balance sheet date to the date of the audit. <p><i>Income recognition – Stage of completion</i></p> <p>We performed the following audit procedures on the revenues arising from manufacturing orders:</p> <ul style="list-style-type: none">• We assessed the design and implementation of key controls relating to the recognition of revenues from manufacturing orders and performed selected tests of the effectiveness of these controls in order to be able to rely on the controls.• For the selected contracts, we discussed and challenged the key assumptions applied by Management and the project leaders that have a significant influence on determining the stage of completion (especially, forecasts of the project's future progress). In addition, we performed the following audit procedures:<ul style="list-style-type: none">• We checked the business terms and conditions of the contracts• We assessed the forecasts of the project's future progress• We checked the stage of completion of the contract and the underlying key assumptions at the time of the audit• We discussed the project with Management and the project leaders and, on the basis of the contractual terms and conditions, we assessed whether the manufacturing orders could be completed within



the agreed deadlines and, therefore, the risk of any financial penalties.

- We looked retrospectively at completed projects to assess the reliability of statements and forecasts made by Management and the project leaders.
- We assessed the recoverability of receivables relating to manufacturing orders on the basis of payments received after the balance sheet date or discussion with Management.

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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



the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

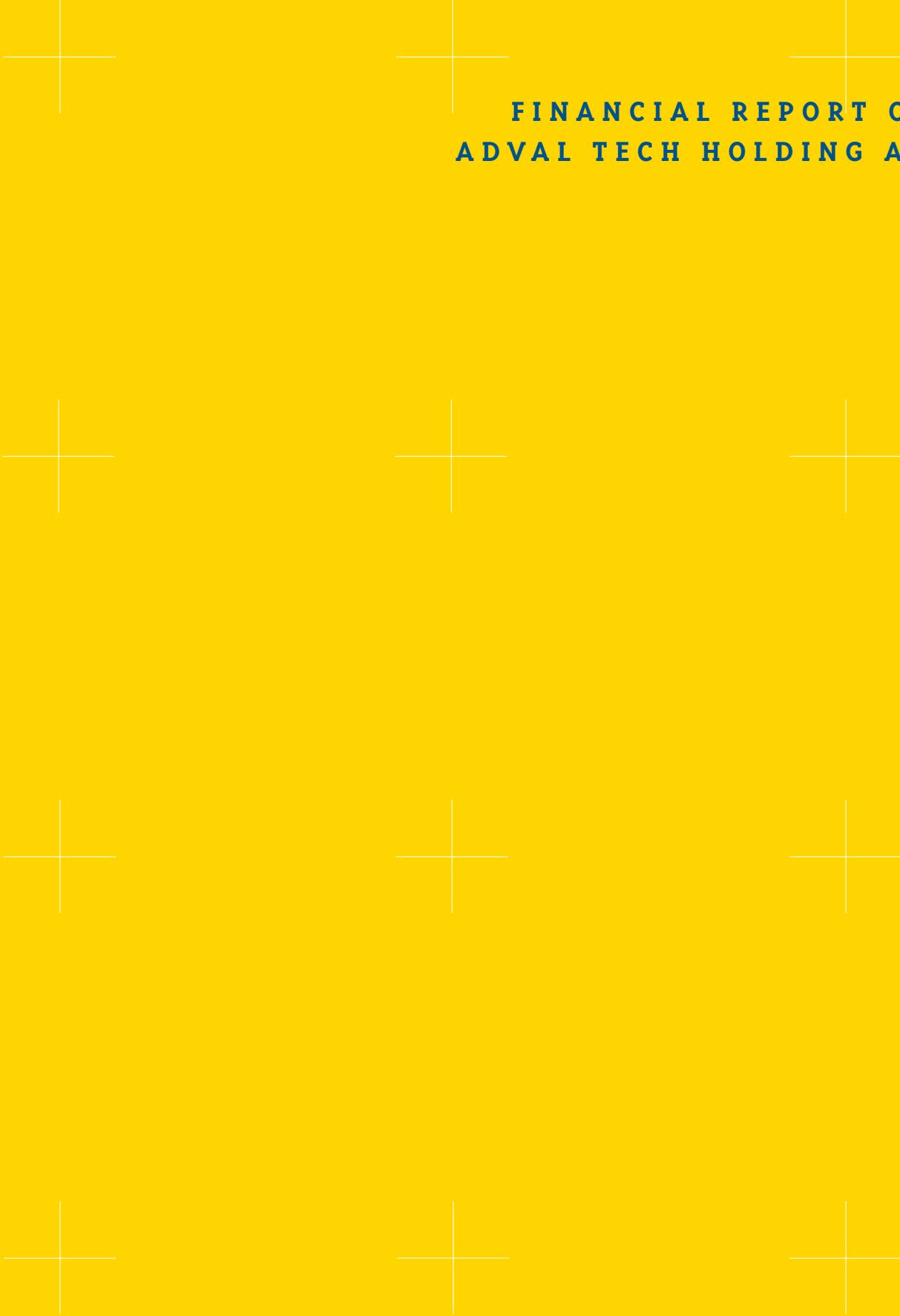
Oliver Kuntze

Audit expert
Auditor in charge

Yvonne Jost

Audit expert

Bern, 21 March 2019



**FINANCIAL REPORT OF
ADVAL TECH HOLDING AG**

FINANCIAL REPORT OF ADVAL TECH HOLDING AG

1. BALANCE SHEET

CHF	Notes	12/31/2018	12/31/2017
Current assets			
Liquid assets		12,135,144	1,292,061
Trade accounts receivable		2,721,411	2,816,593
– from third parties		541	2,447
– from Group companies	2.1	2,720,870	2,814,146
Prepaid expenses and accrued income		2,667	10,537
Total current assets		14,859,222	4,119,191
Fixed assets			
Long-term receivables from Group companies	2.2	59,205,337	71,436,211
Investments in Group companies	2.3	75,585,282	83,008,243
Total fixed assets		134,790,619	154,444,454
Total assets		149,649,841	158,563,645
Short-term liabilities			
Trade accounts payable		61,368	83,952
– to third parties		61,368	83,952
Short-term interest-bearing liabilities	2.4	4,203,972	13,557,835
– to third parties		0	0
– to Group companies		4,203,972	13,557,835
Other liabilities		8,514	1,170,055
– to third parties		0	21,785
– to Group companies	2.5	8,514	1,148,270
Prepaid income and accrued expenses		88,919	76,439
Current provisions		616,506	834,570
Total short-term liabilities		4,979,279	15,722,851
Long-term liabilities			
Long-term interest-bearing liabilities		456,000	425,000
Total long-term liabilities		456,000	425,000
Total liabilities		5,435,279	16,147,851
Shareholders' equity			
Share capital		14,600,000	14,600,000
Legal capital reserves	2.6	64,096,409	66,981,141
Legal retained earnings		9,500,000	9,616,896
– General legal retained earnings		9,500,000	9,500,000
– Reserve for treasury shares		0	116,896
Voluntary retained earnings		11,284,611	11,167,715
Profit/loss carried forward		40,017,242	45,189,668
Profit/loss for the year		4,716,300	-5,139,626
Total shareholders' equity		144,214,562	142,415,794
Total liabilities and shareholders' equity		149,649,841	158,563,645

2. INCOME STATEMENT

CHF	Notes	2018	2017
Income from equity interests	2.7	3,857,847	3,691,639
Other income		2,634	2,700
Other operating expenses	2.8	-1,076,180	-1,160,791
Amortization/depreciation and impairment losses on non-current assets	2.9	-250,000	-9,110,856
Financial income	2.10	2,539,837	2,215,453
Financial expenses	2.11	-3,008,686	-1,389,525
Operating result before taxes		2,065,452	-5,751,380
Extraordinary, non-recurring or prior period income	2.12	3,035,676	628,174
Extraordinary, non-recurring or prior period expenses	2.12	-384,828	-16,420
Result for the year before taxes		4,716,300	-5,139,626
Direct taxes		0	0
Profit/loss for the year		4,716,300	-5,139,626

NOTES TO THE FINANCIAL STATEMENTS 2018

1. MEASUREMENT PRINCIPLES APPLIED IN THE FINANCIAL STATEMENTS

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

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

2. INFORMATION, BREAKDOWNS AND EXPLANATORY NOTES

2.1 Trade accounts receivable – from Group companies

CHF	12/31/2018	12/31/2017
Adval Tech Management AG, Niederwangen, Switzerland	41,629	0
Adval Tech Immobilien AG, Niederwangen, Switzerland	0	23,534
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	6,024	36,744
Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil	2,319,156	2,155,115
Adval Tech (Hungary) Kft., Szekszárd, Hungary	0	130,014
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	15,236	23,612
Adval Tech US Inc., Cleveland, USA	0	3,622
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico	60,511	36,504
Adval Tech Holding (Germany) GmbH & Co. KG, Endingen, Germany	1,619	0
Adval Tech Holding (Germany) GmbH, Endingen, Germany	276,695	405,001
Total Group companies	2,720,870	2,814,146

2.2 Long-term receivables from Group companies

CHF	12/31/2018	12/31/2017
Adval Tech Management AG, Niederwangen, Switzerland (subordinated)	500,000	500,000
Adval Tech Immobilien AG, Niederwangen, Switzerland	0	6,200,000
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	2,263,000	14,832,000
Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil	600,000	0
Adval Tech (Hungary) Kft., Szekszárd, Hungary	0	8,549,038
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	2,941,900	3,814,558
Adval Tech US Inc., Cleveland, USA	0	226,672
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico	5,059,254	3,494,049
Adval Tech Holding (Germany) GmbH, Endingen, Germany	47,841,183	33,819,894
Total Group companies	59,205,337	71,436,211

2.3 Investments in Group companies

Company		Share capital	12/31/2018		Share capital	12/31/2017		12/31/2018 Book value	12/31/2017 Book value
			100%	Share of capital and votes in %		100%	Share of capital and votes in %		
Adval Tech Management AG, Niederwangen, Switzerland	CHF	100,000	100%	100%	100,000	100%	100%	0	0
Management of equity interests									
Adval Tech Immobilien AG, Niederwangen, Switzerland	CHF	100,000	100%	100%	100,000	100%	100%	100,000	100,000
Holding and management of properties									
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	CHF	3,050,000	100%	100%	3,050,000	100%	100%	15,866,000	15,866,000
Stamping and forming technology									
Adval Tech US Inc., Cleveland, USA	USD	1	100%	1	100%	1	100%	0	0
Stamping and forming technology									
Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil	BRL	150,873	100%	150,873	100%	100%	100%	0	0
	USD	360,000	100%	360,000	100%	100%	100%	0	0
Stamping and forming technology									
Adval Tech (Hungary) Kft., Szekszárd, Hungary	EUR	990,000	100%	990,000	100%	100%	100%	20,000,000	20,000,000
Plastic components									
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	EUR	11,000	100%	10,000	100%	100%	100%	3,977,539	0
Stamping and forming technology									
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico*	MXN	50,000	100%	50,000	100%	100%	100%	1,696,740	1,946,740
Plastic components									
Adval Tech (Grenchen) AG, Grenchen, Switzerland	CHF	2,000,000	100%	2,000,000	100%	100%	100%	6,470,000	6,470,000
Plastic components									
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	USD	2,266,500	100%	13,517,000	100%	100%	100%	19,277,500	30,428,000
Holdings in companies									
<i>Adval Tech (Suzhou) Co. Ltd, Suzhou, China</i>	USD	3,500,000	100%	3,500,000	100%	100%	100%	3,500,000	724,193
<i>Plastic components</i>									
<i>Adval Tech (Thailand) Co. Ltd, Rayong, Thailand**</i>	USD	0	0%	7,000,000	100%	100%	100%	0	258,635
<i>Plastic components</i>									
<i>Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia</i>	USD	6,000,000	100%	6,000,000	100%	100%	100%	6,000,000	1,701,155
<i>Plastic components</i>									
<i>Omni Plastics (Shanghai) Co. Ltd, Shanghai, China</i>	USD	800,000	100%	800,000	100%	100%	100%	32,000	108,000
<i>Trading</i>									
<i>Omni Engineering (Shanghai) Co. Ltd, Shanghai, China</i>	USD	2,400,000	100%	2,400,000	100%	100%	100%	0	1,653,731
<i>Trading</i>									
Carryover								67,387,779	74,810,740

* 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 held certain interests on a fiduciary basis. As they were not entitled to a share of profits, minority interests were not stated separately.

Company		Share capital	12/31/2018		Share capital	12/31/2017		12/31/2018 Book value	12/31/2017 Book value
			100%	Share of capital and votes in %		100%	Share of capital and votes in %		
Carryover								67,387,779	74,810,740
Adval Tech Holding (Germany) GmbH, Endingen, Germany	EUR	25,000	100%		25,000	100%		8,197,503	8,197,503
Holdings in companies / Holding and management of properties									
<i>Adval Tech (Germany) GmbH & Co. KG, Endingen, Germany</i>	EUR	1,132,000	100%		1,132,000	100%		16,948,060	11,668,169
<i>Tools and metal components</i>									
<i>Adval Tech (Germany) Verwaltungs GmbH, Endingen, Germany</i>	EUR	51,000	100%		51,000	100%		122,077	122,077
<i>Unbeschränkt haftende Gesellschafterin der Adval Tech (Germany) GmbH & Co. KG</i>									
Total equity interests								75,585,282	83,008,243

Indirect investment holdings are printed in italics.

The following company was sold in the year under review:

Adval Tech (Thailand) Co. Ltd, Rayong, Thailand.

In addition, the metal components business was spun off from Adval Tech (Hungary) Kft. to Adval Tech (Hungary) Plant 2 Kft. in the first quarter of 2017.

This restructuring has no implications for the financial position, assets or earnings.

2.4 Short-term interest-bearing liabilities

CHF	12/31/2018	12/31/2017
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	0	11,057,835
Adval Tech (Hungary) Kft, Szekszárd, Hungary	1,703,972	0
Adval Tech (Grenchen) AG, Switzerland	2,500,000	2,500,000
to Group companies	4,203,972	13,557,835
Total short-term interest-bearing liabilities	4,203,972	13,557,835

2.5 Other liabilities – to Group companies

CHF	12/31/2018	12/31/2017
Adval Tech Management AG, Niederwangen, Switzerland	0	1,032,098
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	0	34,074
Adval Tech (Germany) GmbH & Co. KG, Germany	0	75,848
Adval Tech (Hungary) Kft., Szekszárd, Hungary	2,264	0
Adval Tech (Grenchen) AG, Grenchen, Switzerland	6,250	6,250
Total other liabilities – to Group companies	8,514	1,148,270

2.6 Legal capital reserves

This item consists of the shareholders' capital contributions.

2.7 Income from Group equity interests

CHF	2018	2017
Income from equity interests	0	0
Loan interest income	1,638,851	1,620,850
Dividend income	0	0
Corporate service fees	399,996	381,789
Brand license fees	1,819,000	1,689,000
Total income from equity interests	3,857,847	3,691,639

2.8 Other operating expenses

CHF	2018	2017
Property insurance and fees	-6,000	-7,000
Royalties	0	-75,848
Office and administrative expenses	-1,035,095	-1,037,492
Sales and distribution expenses	-8,281	-7,621
Other expenses	-26,804	-32,830
Total other operating expenses	-1,076,180	-1,160,791

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

CHF	2018	2017
Impairment losses on equity interests	-250,000	-9,110,856
Impairment losses on loans	0	0
Total amortization/depreciation and impairment losses on non-current assets	-250,000	-9,110,856

2.10 Financial income

CHF	2018	2017
Financial income from third parties	62,025	1,275,684
Foreign currency gains/losses, Group companies	2,477,812	939,769
Total financial income	2,539,837	2,215,453

2.11 Financial expenses

CHF	2018	2017
Bank interest expense	-123,238	-104,488
Loan interest expense	0	-2,511
Foreign withholding taxes	-49,873	-442,350
Bank fees	-3,771	-1,830
Other financial expenses	-60,566	-163,327
Foreign currency gains/losses, third parties	-159,305	-342,623
Loan interest expense, Group companies	-408,701	-332,396
Foreign currency gains/losses, Group companies	-2,203,232	0
Total financial expenses	-3,008,686	-1,389,525

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

The extraordinary income and expenses in the year under review relate to costs incurred in connection with the sale of the indirect investment in Thailand, the acquisition of the investment in Adval Tech (Germany) GmbH & Co. KG and the sale of the investments in FOBOHA GmbH in the previous year, which only occurred in the year under review. The costs reported in 2017 are also related to these transactions.

3. MISCELLANEOUS DISCLOSURES

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

Treasury shares including interests in subsidiaries (book values)

	Number in 2018	Value in 2018	Number in 2017	Value in 2017
January 1	507	116,896	800	190,236
Purchase (details)	114	28,587	400	90,602
Sale (details)	-621	-145,483	-693	-163,943
December 31	0	0	507	116,896

Die ausgewiesenen eigenen Aktien werden von der Adval Tech Management AG gehalten.

Beteiligungsrechte für Verwaltungsräte und Geschäftsleitung

A total of 621 registered shares were allotted to the management in 2018. The shares were allotted in May 2018 as part of their variable compensation for the 2017 financial year, following approval by the Annual General Meeting of Adval Tech Holding AG. In the previous year, a total of 693 registered shares were allotted to members of the management.

	Number in 2018	Value in 2018	Number in 2017	Value in 2017
Issued to members of Board of Directors and Executive Management	621	145,483	693	163,943
Issued to employees	0	0	0	0
Total	621	145,483	693	163,943

Sureties to third parties

	2018	2017
Guarantees	15,141,178	5,367,561

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

Major shareholders

As at December 31, 2018, according to the share register, the following shareholders held over 3% of the registered share capital recorded in the Commercial Register:

Ownership interest (as last reported)	12/31/2018	12/31/2017
Dr. h.c. Willy Michel*	23.8%	23.7%
Artemis Beteiligungen I AG, Hergiswil ¹⁾	21.2%	21.2%
Grapha Holding AG, Hergiswil ²⁾	8.8%	8.8%
J. Safra Sarasin Investment Fonds AG*	8.5%	8.5%
Hansruedi Bienz	7.5%	7.5%
Einfache Gesellschaft Dreier ³⁾	3.5%	3.5%

Beneficial owners:

1) Michael Pieper, Hergiswil, Switzerland

2) Rudolf B. Müller, Hergiswil, Switzerland

3) Hans Dreier, Niederwangen, Switzerland; Rudolf Dreier, Altendorf, Switzerland

* Effective amount of holding as at December 31, 2018 and December 31, 2017.

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

As at December 31, 2018, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the Company's equity securities:

Position as at December 31, 2018		12/31/2018 (Number)	12/31/2017 (Number)
Dr. h.c. Willy Michel	Chairman of the Board	173,810	172,687
Michael Pieper	Vice Chairman of the Board (until AGM 2017)	156,686	156,686
Hans Dreier	Member of the Board of Directors, Head IT/Logistics/Legal	13,422	13,347
Christian Mäder	Member of the Board of Directors (since AGM 2017)	–	–
Dr. Roland Waibel	Member of the Board of Directors	200	200
René Rothen	CEO	1,340	1,112
Markus Reber	CFO	596	527
Valeria Poretti	Head Corporate HR/Communication	639	521

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

CHF	2018	2017
Retained earnings carried forward		
Retained earnings/losses at the beginning of the financial year	40,050,042	45,189,668
Transfer capital reserves	-32,800	0
Profit/loss for the year	4,716,300	-5,139,626
Retained earnings/losses at the disposal of the General Meeting	44,733,542	40,050,042

Capital contribution reserves carried forward		
Legal capital reserves at the beginning of the financial year	64,061,141	67,494,589
Board of Directors' proposal to the General Meeting		
– Transfer to profit carried forward	-3,066,000	-2,920,000
– Transfer to voluntary retained earnings ¹⁾	35,268	-513,448
Legal capital reserves to be carried forward	61,030,409	64,061,141

CHF	2018 Board of Directors' proposal	2017 General Meeting resolution
Board of Directors' proposal regarding appropriation of retained earnings		
Retained earnings/losses at the disposal of the General Meeting	44,733,542	40,050,042
Transfer from the capital reserve	3,066,000	2,920,000
Distribution to shareholders ²⁾	-3,066,000	-2,920,000
To be carried forward	44,733,542	40,050,042

1) Reversal of undistributed capital reserve on treasury shares held in 2016 and 2017.

2) The amounts are based on the number of shares eligible for distributions as at the reference date December 31, 2018, and may change as a result of treasury share transactions after the reference date.



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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Adval Tech Holding AG, which comprise the balance sheet as at 31 December 2018, income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 118 to 128) as at 31 December 2018 comply with Swiss law and the articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview



Overall materiality: CHF 800'000

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

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

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

PricewaterhouseCoopers AG, Bahnhofplatz 10, PO Box, 3001 Bern
Telephone: +41 58 792 75 00, Facsimile: +41 58 792 75 10, www.pwc.ch

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



Materiality

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

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

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

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

Audit scope

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

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

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



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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>We consider the impairment testing of the investments in Group companies of CHF 75.6 million and of the short- and long-term receivables from Group companies of CHF 61.9 million as a key audit matter because of the significant scope for judgement available to Management with regard to the discount rate and the growth rate in performing impairment tests, because of the low profitability in certain countries and because these assets represent a significant amount on the balance sheet (around 92% of total assets).</p> <p>Please refer to note 2.1 (Trade accounts receivable from Group companies) and note 2.2 (Long-term receivables from Group companies) and note 2.3 (Investments in Group companies) in the notes to the financial statements 2018 of Adval Tech Holding AG.</p>	<p>We tested the investments in Group companies for impairment in the financial year. Management performed impairment tests on the investments in Adval Tech (Grenchen) AG, Adval Tech Holdings (Asia) Pte. Ltd., Adval Tech (Hungary) Kft., Adval Tech (Hungary) Plant 2 Kft. and Adval Tech Holding (Germany) GmbH. We performed the following:</p> <ul style="list-style-type: none"> • Compared with the actual results of each company concerned with its budget in order to identify assumptions that in retrospect appeared too optimistic regarding the cash flows; • Checked for plausibility the future prospects based on the multi-year plan approved by the Board of Directors and discussed these with Management; • Validated the key parameters of the impairment test (discount rate and long-term growth rate) by means of sensitivity analyses and a comparison with analogous companies. <p>Management assessed individually the recoverability of short- and long-term receivables from subsidiaries, except where the standalone financial statements prepared in accordance with Swiss GAAP FER or an impairment test showed that these were secured by positive equity. We performed the following:</p> <ul style="list-style-type: none"> • Discussed in detail with Management and the Audit Committee the assessment and re-performed it, and • Checked for plausibility the future prospects based on the multi-year plan approved by the Board of Directors. <p>On the basis of the audit procedures described above, we addressed the risk relating to the valuation of the investments in Group companies and of short- and long-term receivables from Group companies. We have no findings to report.</p>

Responsibilities of the Board of Directors for the financial statements

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



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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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



Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

A blue ink signature of the name Oliver Kuntze.

Oliver Kuntze
Audit expert
Auditor in charge

A blue ink signature of the name Yvonne Jost.

Yvonne Jost
Audit expert

Bern, 21 March 2019

www.advaltech.com

Europe

Adval Tech Holding AG
Freiburgstrasse 556
3172 Niederwangen
Switzerland
Phone +41 31 980 84 44
Fax +41 31 980 82 60
info@advaltech.com

Adval Tech Management AG
Freiburgstrasse 556
3172 Niederwangen
Switzerland
Phone +41 31 980 84 44
Fax +41 31 980 82 60
info@advaltech.com

Adval Tech (Hungary) Kft.
Bern u. 34
7100 Szekszárd
Hungary
Phone +36 74 555 160
Fax +36 74 555 164
info.hungary@advaltech.com

Adval Tech (Hungary) Plant 2 Kft.
Bern u. 34
7100 Szekszárd
Hungary
Phone +36 74 555 160
Fax +36 74 555 164
info.hungary@advaltech.com

Adval Tech (Switzerland) AG
Freiburgstrasse 556
3172 Niederwangen
Switzerland
Phone +41 31 980 81 11
Fax +41 31 980 81 55
info.switzerland@advaltech.com

Adval Tech (Grenchen) AG
Niklaus-Wengi-Strasse 38
2540 Grenchen
Switzerland
Phone +41 32 653 19 35
Fax +41 32 653 15 50
info.grenchen@advaltech.com

Adval Tech Holding (Germany) GmbH
Hans-Oetiker-Straße 1–5
79346 Endingen am Kaiserstuhl
Germany
Phone +49 7642 9018 211
Fax +49 7642 9018 40
info.germany@advaltech.com

Adval Tech (Germany) GmbH + Co. KG
Hans-Oetiker-Straße 1–5
79346 Endingen am Kaiserstuhl
Germany
Phone +49 7642 9018 211
Fax +49 7642 9018 40
info.germany@advaltech.com

Asien

Adval Tech Holdings (Asia) Pte. Ltd
Choa Chu Kang Central Post Office
PO Box 244
Singapore 916839
Phone +65 6557 7900
Fax +65 6337 4131

Adval Tech (Suzhou) Co. Ltd
No. 158-26 Hua Shan Road
Suzhou New District
Feng Qiao Industrial Park
Jiangsu Province 215129
P.R. China
Phone +86 512 6661 6556
Fax +86 512 6662 1252

As of summer 2019:
No. 46 Chunxing Road
Xiancheng Economic
Development Zone
Suzhou 215100
P.R. China
Phone +86 512 6661 6556
Fax +86 512 6662 1252

Adval Tech (Malaysia) Sdn. Bhd.
No. 9 Jalan Tampoi 7/4
81200 Johor Bahru
Johor
Malaysia
Phone +607 340 2100
Fax +607 334 3353

Americas

Adval Tech (Mexico) S.A. de C.V.
Prolongación Circuito El Marqués
Norte No. 4
Parque Industrial El Marqués
76246 El Marques, Querétaro
Mexico
Phone +52 442 290 45 00
Fax +52 442 290 45 01
info.mexico@advaltech.com

Adval Tech do Brasil Indústria
de Autopeças Ltda.
Av. Rocha Pombo, 2561
Águas Belas – Aeroporto
83010-620 São José
dos Pinhais PR
Brazil
Phone +55 41 3299 1700
Fax +55 41 3299 1703
info.brasil@advaltech.com

Adval Tech (US) Inc.
12200 Brookpark Road
Cleveland, OH 44130-1146
USA
Phone +1 216 362 1850
Fax +1 216 265 7833
info.us@advaltech.com

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.

