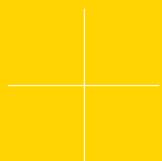
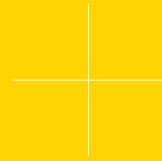
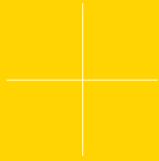
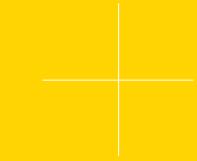


advaltech

ANNUAL REPORT

2021





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KEY FIGURES OF THE ADVAL TECH GROUP

	2021	2020	2019	2018	2017
Total income (CHF millions)²⁾					
Group	170.8	140.8	178.9	198.2	207.9
Change in %	21.3	-21.3	-9.7	-4.7	-8.5
Per employee (CHF thousands)	151.4	124.4	144.3	144.9	152.2
EBITDA (CHF millions)²⁾					
Operating earnings before depreciation	17.0	15.2	18.4	20.7	19.2
in % of total income	10.0	10.8	10.3	10.5	9.2
EBIT (CHF millions)²⁾					
Operating earnings	9.2	6.7	10.3	12.4	10.7
in % of total income	5.4	4.8	5.8	6.2	5.1
Net profit (CHF millions)					
Net profit	5.9	4.3	8.7	8.8	8.7
in % of total income	3.4	3.1	4.9	4.4	4.2
Cash flow and capital expenditure (CHF millions)					
Cash flow from operations	17.3	6.1	4.2	13.7	14.5
Free cash flow ²⁾	13.6	3.5	-4.0	12.5	-5.1
Capital expenditure	-3.7	-3.4	-8.1	-10.4	-17.4
Balance sheet figures (CHF millions)					
Total assets	162.9	162.6	162.3	179.6	172.9
Shareholders' equity	127.5	126.5	126.4	123.5	117.3
in % of total assets	78.3	77.8	77.9	68.8	67.8
Employees					
on December 31	1,134	1,105	1,179	1,288	1,399
Market capitalization (CHF millions)					
on December 31	118.3	124.1	124.1	141.6	174.5
Selected key figures per share					
Earnings (CHF)	8.05	5.88	11.85	12.02	11.98
Dividend (CHF)	2.00 ¹⁾	1.35	2.70	4.20	4.00
Payout ratio %	24.8	22.9	22.8	35.0	33.4
P/E ratio on December 31	20.1	28.9	14.3	16.1	19.9

According to Swiss GAAP FER

1) Proposed by the Board of Directors

2) Alternative Performance Measures, see Note 3, page 77

SHARE STATISTICS AND PRICE TRENDS

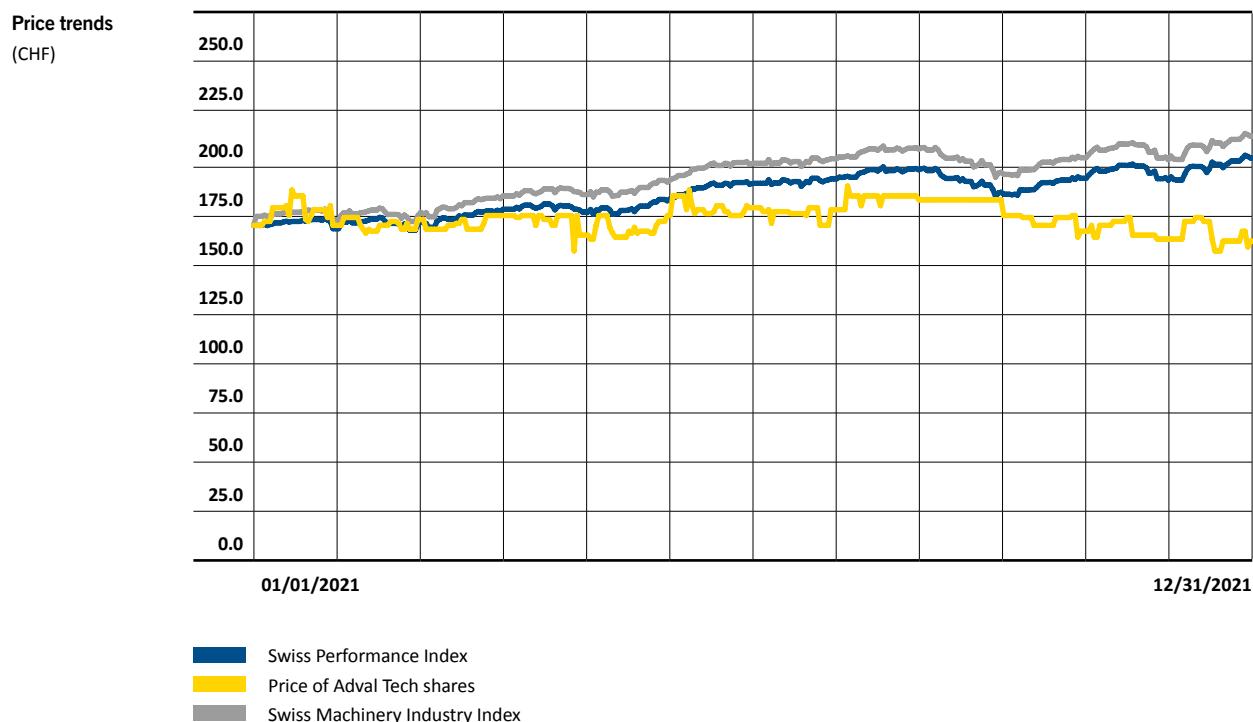
	2021	2020
Registered shares	730,000	730,000
EBIT per share (CHF)	12.66	9.22
Net profit per share (CHF)	8.05	5.88
Shareholders' equity per share (CHF)	174.65	173.34
Dividend per share (CHF)	2.00 ¹⁾	1.35
Payout ratio %	24.8	22.9
P/E ratio	20.1	28.9
Market prices (CHF)		
Low (04/27/21, 03/18/20)	157.00	120.00
High (08/05/21, 01/03/20)	190.00	174.00
December 31	162.00	170.00
Market capitalization (CHF millions)		
Low (04/27/21, 03/18/20)	114.61	87.60
High (08/05/21, 01/03/20)	138.70	127.02
December 31	118.26	124.10

1) Proposed by the Board of Directors

Share statistics

Swiss security no. 896 792

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



DEAR SHAREHOLDERS,

The Adval Tech Group can look back on a successful 2021 financial year, in which we significantly improved all the key figures compared with the previous year. In addition, we again secured promising orders in 2021 from both existing and new customers. Our prospects of doing so were far from rosy: the pandemic-related restrictions and the shortages of raw materials and vendor parts presented us with major challenges. Supply bottlenecks in microelectronic components especially forced many car manufacturers to scale back their production temporarily. Adval Tech's sites in Mexico and Hungary were particularly hard hit by this and in some cases had to severely limit production. We were forced to close the Szekszárd plant completely for a few days, and short-time working was introduced for several weeks in Germany.

The fact that we were able to close the 2021 financial year successfully despite these adverse conditions cannot be taken for granted. We primarily have to thank our employees for this achievement. In this second pandemic year they once again demonstrated flexibility, courage and steadfastness – accompanied by a healthy dose of caution and careful planning. We would like to thank them for their great commitment, their tireless pursuit of innovative solutions, and their willingness to exceed customer expectations time and again. "Together to the top" – even if the way there is sometimes steep and narrow.

Consistent implementation of our corporate strategy is and remains the key to achieving gratifying results, even in a time dominated by uncertainties. In the year under review, we again focused on the automotive market and on applications that are comparable with those of the automotive industry in terms of unit numbers, quality requirements, lifetime and production processes. We also continued to propel forward our technology business with high-speed presses.

Adval Tech is responding to the ongoing upheavals in the automotive industry with practical solutions: electromobility, self-driving cars, shared mobility, digitalization and lightweight construction are topics of the future, alongside eco-friendly fuel for the combustion engine and expanding the hydrogen infrastructure.

Climate protection is another major challenge of our times. A responsible approach to the world's resources has always been high on Adval Tech's priority list. All of the Group's plants, for example, are certified in accordance with the international environmental management standard ISO 14001. Meanwhile, climate protection is no longer a purely ecological concern: it is now impossible to ignore the economic dimension. Many of our customers are reducing their CO₂ emissions. And they expect their suppliers to show the same commitment. Adval Tech set itself high targets in the year under review: the Adval Tech Germany plant in Endingen will become the first of our sites to achieve carbon-neutral production by 2026 – at least as far as its own emissions are concerned. We plan to document our efforts to achieve carbon-neutral production and our results in the field of climate protection by publishing our own sustainability report for the first time in 2023.

Social responsibility has also been high on our list of priorities for many years. At Adval Tech, we work hand-in-hand – not just in the teams at the individual sites, but also as a Group with branches spread over four continents. To maintain this feeling of togetherness, as well as defining how we should behave towards our business partners and customers, we have revised our Code of Conduct.



RENÉ ROTHEN
CHAIRMAN AND CEO

The environment in which we operate remains challenging, especially in the automotive industry. In addition to the major uncertainties associated with the coronavirus pandemic and the shortages of vendor parts and raw materials, we now have to factor in the war in Ukraine with its uncertain outcome. Therefore, despite the good order situation, we expect to experience planning uncertainty and production downtimes in the financial year now under way.

As we write in April 2022, the world seems particularly fragile and old certainties are crumbling. As a company, we draw confidence from our most important assets: we rely on our strategy and excellent positioning in the target markets, our technology leadership and our strengths as a team. The momentum from 2021 will carry us into the future. To meet our customers' requirements, we will invest wisely and cost-consciously in new technologies and services. And we will implement newly acquired projects flawlessly, getting it right first time.

We would like to thank our employees, customers, suppliers and business partners for the good working relationship we enjoy.

We would also like to thank you, our esteemed shareholders. Your loyalty and trust create the basis for the Adval Tech Group to enjoy future success.

Niederwangen, April 2022

René Rothen, Chairman of the Board of Directors and Chief Executive Officer

FINANCIAL YEAR 2021

EBITDA

17.0 MILLION CHF

EBIT

9.2 MILLION CHF

NET PROFIT

5.9 MILLION CHF

EBIT-MARGIN

5.4 %

MANAGEMENT REPORT

BUSINESS PERFORMANCE OF THE GROUP

The Adval Tech Group closed the 2021 financial year with significantly improved key figures compared with the previous year. Despite the drastic regulatory measures and restrictions associated with the global coronavirus pandemic, the Group again secured various new orders from existing and new customers and launched innovative new projects at all its sites. While demand in the automotive industry continued to recover significantly, the industry was nevertheless faced with shortages of raw materials and certain vendor parts, as well as the related sharp price increases and supply bottlenecks.

For example, the shortage of microelectronic components such as semiconductors caused many car manufacturers to scale back production, which particularly affected Adval Tech's sites in Hungary and Mexico. In Brazil, Adval Tech had to accept several price increases for steel, and in Switzerland and Germany, the Group was forced to place a strain on its net working capital in order to ensure the availability of raw materials and vendor parts. Under these circumstances, the Adval Tech Group's results for the year are particularly pleasing.

Overall, Adval Tech achieved total income¹⁾ of CHF 170.8 million (2020: CHF 140.8 million, +21.3%). EBITDA¹⁾ came to CHF 17.0 million (2020: CHF 15.2 million, +12.2%), EBIT¹⁾ to CHF 9.2 million (2020: CHF 6.7 million, +37.3%) and net profit to CHF 5.9 million (2020: CHF 4.3 million, +36.8%). Adval Tech increased its EBIT margin from 4.8% in 2020 to 5.4%.

Adjusted for currency effects, total income¹⁾ in 2021 amounted to CHF 171.2 million, EBITDA¹⁾ to CHF 17.0 million and EBIT¹⁾ to CHF 9.2 million.

Coronavirus pandemic

The coronavirus pandemic has affected Adval Tech's various sites in different ways. The measures enacted by various national governments resulted in more or less severe restrictions on everyday working life at all locations. The Group was able to avoid short-time working at the Swiss companies, while the German subsidiary Adval Tech (Germany) GmbH + Co. KG introduced short-time working for a few weeks in fall 2021. Other Group sites had to shut down production completely – in some cases for some weeks.

Adval Tech has remained true to its focus strategy even in these turbulent and difficult times. The Group is focusing on the automotive market and on applications that are comparable with those of the automotive industry in terms of unit numbers, quality requirements, lifetime, and production processes. In order to compensate for the volatility of the automotive market, Adval Tech has continued to intensify its activities in the high-speed press technology business.

Market development

The megatrends in the automotive industry have not changed in the year under review: electric vehicles, networked and self-driving vehicles, shared mobility, digitalization and lightweight construction. In addition, the development of eco-friendly synthetic fuels for the internal combustion engine and the expansion of the hydrogen infrastructure also remain important future topics for the industry. All these developments open up new market opportunities for the Adval Tech Group.

1) Alternative Performance Measures, see Note 3, page 77

Strategic direction

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 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

Market successes

Despite the difficult environment, Adval Tech again succeeded in acquiring promising new orders last year.

In the **metal** sector, in the year under review Adval Tech was able to further expand its cooperation with a leading European premium automotive manufacturer, which was first launched in spring 2018. This included, amongst other things, a follow-up order for brake disk covers to be produced in large series in Germany from 2022 to 2032, additional structural parts for production in Hungary, and an order for the manufacture of gasoline high-pressure pumps in Switzerland.

In the **plastics** sector, the Adval Tech Group has expanded its plant in Querétaro, Mexico, doubling the production area from around 3300 square meters to around 6600 square meters. Adval Tech's local workforce is expected to grow from around 70 to between 150 and 200 here in the next few years. Adval Tech has been nominated for extensive new orders from existing and new customers, not only for Mexico, but also for the sites in Hungary and China.

In the field of **related applications**, Adval Tech acquired additional orders for the site in Malaysia in 2021 and started production of blood analysis cards at the Swiss site in Grenchen.

In addition, Adval Tech received several orders for **high-speed presses** again in 2021.

DEVELOPMENT OF KEY FIGURES

Total income¹⁾ and net turnover

The Adval Tech Group's total income¹⁾ is made up of the following elements:

- Net turnover from the sale of metal and plastic components
- Net turnover from the sale of the related tools for production of components
- Net turnover from the sale of high-speed presses
- Other revenues (such as proceeds from sale of scrap)

Given the difficult market environment, the supply bottlenecks for raw materials and electronic components and the impact of the coronavirus pandemic, the Group's total income¹⁾ of CHF 170.8 million for the 2021 financial year (previous year: CHF 140.8 million, +21.3%) is very pleasing. This corresponds to the pre-pandemic level of 2019. Adjusted for currency effects, the Adval Tech Group's total income for 2021 is around 21.6% higher than in the previous year.

Net turnover from the sale of components rose from CHF 108.4 million (2020) to CHF 133.4 million in 2021. Along with the figures for the automotive industry, the sales trend at Adval Tech (Grenchen) AG, which manufactures components for the medical technology and consumer goods sectors, and at Adval Tech (Malaysia) Sdn., which likewise operates in the consumer goods industry, were very encouraging. This also applies to the increase in sales of high-speed presses at Adval Tech (Switzerland) AG, Niederwangen.

At 74%, the Adval Tech Group generated most of its turnover in 2021 from customers in Europe (2020: 74%). Asian customers accounted for 11% of Adval Tech's turnover (2020: 11%), Latin American customers for 8% (2020: 10%) and North American customers for 6% (2020: 5%).

Profitability

The Adval Tech Group generated earnings before interest, tax and depreciation (EBITDA¹⁾) of CHF 17.0 million (2020: CHF 15.2 million), corresponding to an EBITDA margin of 10.0% (2020: 10.8%). Earnings before interest and taxes (EBIT¹) amounted to CHF 9.2 million (2020: CHF 6.7 million). The EBIT margin was 5.4% (adjusted for currency effects: 5.4%) (2020: 4.8%).

Extraordinary Result

The extraordinary result is affected by the costs for the restructuring of Adval Tech do Brasil Industria de Autopeças Ltda, an indirect supplier to Ford. This restructuring became necessary because Ford Motor Company announced in January 2021 – surprising all market participants – that it would be closing its three plants in Brazil with immediate effect. The costs of the restructuring, which was completed at the end of 2021, amounted to CHF 0.6 million. They were more than offset by compensation payments (including for loss of future margins). This led to a net result of CHF 0.3 million.

Net profit

The Adval Tech Group's net profit amounted to CHF 5.9 million in 2021 (2020: CHF 4.3 million, +36.8%).

¹⁾ Alternative Performance Measures, see Note 3, page 77

Investments and net working capital

In 2021, the Adval Tech Group invested CHF 3.7 million in property, plant and equipment (2020: CHF 3.4 million), for example for injection molding machines in China and Mexico, the expansion of the plant in Mexico and production equipment in Switzerland and Germany.

Cash flow from operating activities came to CHF 17.3 million in 2021 (2020: CHF 6.1 million). Free cash flow¹⁾ stood at CHF 13.6 million (2020: CHF 3.5 million). This significant increase is mainly due to the higher cash flow from net working capital, the higher net result and the continuing investment restraint.

Operating net working capital¹⁾ (trade accounts receivable, inventories and trade accounts payable) stood at CHF 44.9 million at the end of December 2021 (December 31, 2020: CHF 41.4 million). In relation to total income¹⁾, operating net working capital¹⁾ changed from 27.8% at the end of December 2020 to 28.7% at the end of December 2021. The main factor in the accumulation of operating net working capital¹⁾ is the increase in inventories in the components business, partly in order to ensure supply capability.

Liquidity

The net financial position amounted to CHF 31.1 million as at December 31, 2021 (end of 2020: CHF 19.1 million). In 2021, Adval Tech did not draw any loans from government support programs in connection with the coronavirus pandemic.

Equity ratio

The Adval Tech Group's equity ratio improved from 77.8% at the end of 2020 to 78.3% at the end of 2021.

Share price development

Key share information and share price trends are presented on page 5 of this Annual Report.

Dividend distribution

At the Annual General Meeting on May 19, 2022, the Board of Directors will propose the distribution of a dividend of CHF 2.00 per share.

1) Alternative Performance Measures, see Note 3, page 77

CUSTOMER SATISFACTION

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

SUSTAINABILITY

Climate protection has become a pressing issue for the entire automotive industry in recent years. Making vehicle production as environmentally friendly as possible and reducing emissions – these goals have also been set by the largest car manufacturers. They are stepping up their commitment to climate protection and expect the same from their suppliers.

Social responsibility and a responsible approach to the environment have always been high on Adval Tech's priority list. All of the Group's plants, for example, are certified in accordance with the international environmental management standard ISO 14001.

In the year under review, the Group decided to publish its own sustainability report in the future. As the first step to achieving this, Adval Tech will introduce a standardized data collection process in 2022. The Adval Tech Group will publish its first report in 2023.

The Adval Tech plant in Endingen (Germany) is to take on a pioneering role on the path to climate-neutral production. Adval Tech Endingen aims to achieve climate-neutral production by 2026 – at least as far as its own emissions are concerned. The plant has been powered exclusively using green electricity from renewable energies since January 2022. Energy consumption in all areas is continuously recorded and analyzed so that appropriate optimization measures can be taken. A next planned step is to introduce heat coupling systems with which the waste heat from production machines can be used specifically to heat buildings in the future.

And Adval Tech is also increasing the focus on ecological topics in its market performance, where it sees great opportunities to open up new areas of application. Thus, for example, Adval Tech Grenchen is developing a process for the industrial production of coffee capsules for a large Swiss retail company. Made exclusively of aluminum, the new capsules are 100% recyclable. Consumers will continue to be looking out for recyclable products in the future.

EMPLOYEES

Employees and their know-how are the Adval Tech Group's most important resource. The Group therefore pays great attention to its employees. The Adval Tech Group supports 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 employees; 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, employees 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 its locations in different parts of the world, employees acquire technical expertise, improved language skills, and intercultural proficiency. Adval Tech 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 talents develop into seasoned professionals.

As a rule, employee satisfaction at Adval Tech is measured regularly, every two years. Due to the coronavirus pandemic, the Group postponed the survey that should have taken place in 2020 until September 2021.

All employees were invited to evaluate Adval Tech as an employer, in a total of six languages. 78% of questionnaires were returned (2018: 75%). The vast majority of employees identify very strongly with the Group's goals and values. Even in 2020 and 2021 – two difficult years marked by the coronavirus – employees felt good at work and were motivated and ready to put in an extraordinary performance.

Following a detailed evaluation of the survey, the individual companies developed their own implementation and action plans in order to exploit the identified potential for improvement.

In addition, the Adval Tech Group revised and extended its Code of Conduct in the year under review. This Code defines how employees should behave towards one another, as well as towards customers and business partners. Its provisions are derived from recognized international standards and also conform to all relevant customer specifications. An additional code of conduct for suppliers will follow in the current year.

FTE increased in the year under review from 1105 (year-end 2020) to 1134 (year-end 2021). The average number of employees in 2021 was 1128 (prior year: 1132).

RISIK MANAGEMENT

Through its extensive risk management, Adval Tech ensures that the risks to which the Group is exposed are identified and correctly addressed. In addition, risk management ensures efficient implementation 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.

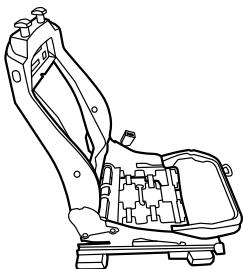
More detailed information on financial risk management can be found on page 76 of this Annual Report.

OUTLOOK

It is very difficult to provide an outlook for 2022. The major uncertainties associated with the coronavirus pandemic and the availability of vendor parts and raw materials, particularly in the automotive industry, remain. The war in Ukraine has again significantly exacerbated the situation and extended the corresponding risks to other areas. Over the coming months, car manufacturers will be forced to deal with scenarios in which they have to curb production or even close it down temporarily. Despite the good order situation, in many cases this also means planning uncertainty and the threat of interruptions in production for the Adval Tech Group.

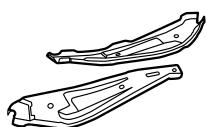
The Group is therefore refraining from issuing a specific outlook for 2022 and will continue to exercise restraint with regard to costs and capital expenditure. It will continue to focus on implementing the acquired projects right first time.

Structure

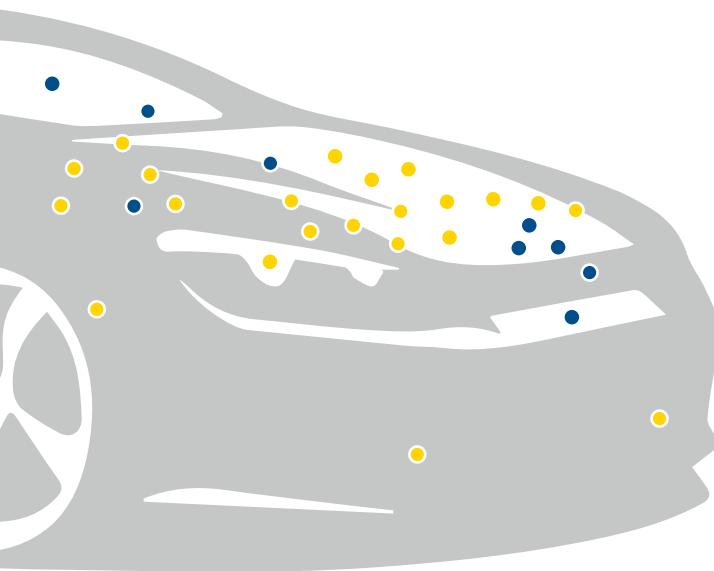


Seat structural parts

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

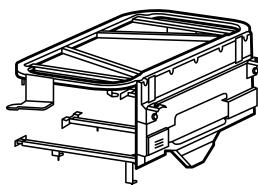


Seat adjustment



- Metal component
- Plastic component
- Composite

E-Mobility/ Autonomous driving



Battery carrier

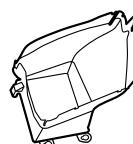


Lenseholder



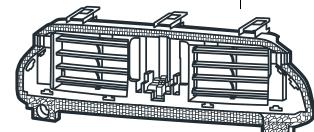
Oil guidance

Car front



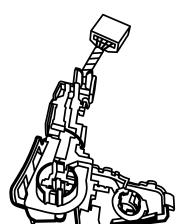
Air flow system

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

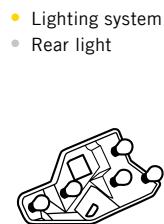


Radiator shutter

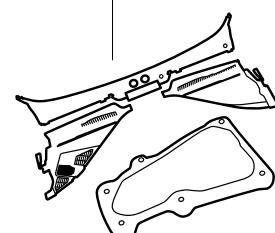
Lighting



Rear light



Lighting system



Air/water separation

PLASTIC COMPONENTS FOR THE AUTOMOTIVE INDUSTRY

From the innovative idea for implementation to series production runs of millions of units

Understanding the needs of automotive manufacturers, using these to develop new and innovative solutions, and ultimately implementing them successfully as products ready for series production – that's the core business of Adval Tech.

To do this, we rely on multicultural development and planning teams, as well as on globally standardized process and quality standards.

At the Research and Development Center for Automotive Plastic Parts in Muri, Switzerland, sophisticated plastic parts and complex modules and systems are developed and reworked to the customer's precise product specifications. The industrialization and large-series production are carried out in Hungary, China, or Mexico, with constant support from Adval Tech's plastic specialists in Muri.

Adding value with plastic components for the mobility of the future.

One-Stop-Shop – made by Adval Tech

Consulting and product development

Consulting and 3-D-print-design

Simulation and prototype engineering (internal/external)

Tool/process development (internal/external)

Component production



Surface treatment
(internal/external)

Assembly

Measuring,
testing and
packaging

Logistics

MURI, SWITZERLAND

Activities

Development and design of components and modules for

- Safety
- E-Mobility
- Autonomous driving
- Car front
- Lighting
- Power train

Number of employees

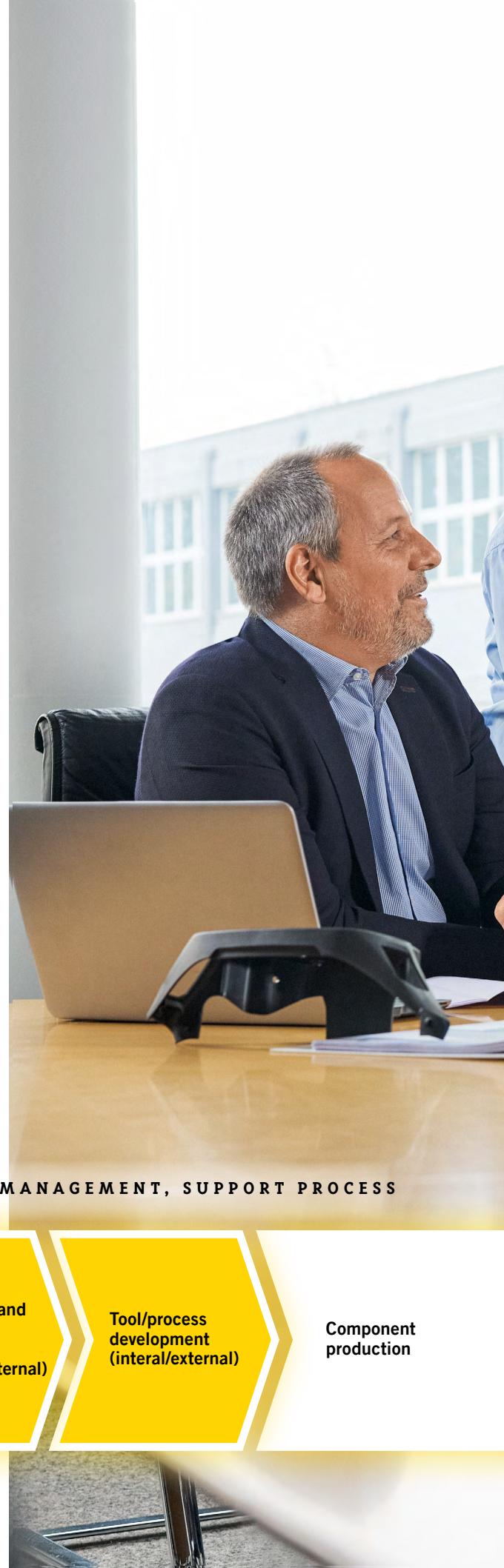
20

Customers

Automotive manufacturers (OEM) and direct suppliers
(1st tier)

Added value

As a one-stop shop, Adval Tech is able to support its customers worldwide along the entire value chain: from the initial product/design concept through the entire product and process development to global volume production.



CENTRALIZED INNOVATION PROCESS, PROJECT MANAGEMENT, SUPPORT PROCESS



RESEARCH AND DEVELOPMENT CENTER



Surface treatment
(internal/external)

Assembly

Measuring,
testing and
packaging

Logistics



Consulting
and product
development

Consulting and
3-D-print-
design

Simulation and
prototype
engineering
(internal/external)

Tool/process
development
(internal/external)

Component
production



SZEKSZÁRD, HUNGARY

Product examples

- Door sill plate
- Oil guidance
- Air flow system
- Air/water separation
- Front panel incl. radiator shutter

Machinery

- 16 injection molding machines (from 80 tons to 900 tons)
- Various assembly lines
- Coordinate measuring machine
- Viscosity testing equipment
- Various machines and devices for tool maintenance

Building area

Total: 6388 m²

Production: 3244 m²

Warehouse: 2877 m²

Office: 267 m²

Number of employees

140

Customers

Automotive manufacturers (OEM) and direct suppliers (1st tier)

Added value

State-of-the-art processes and applications ensure that the customer's requirements are precisely met, and that all the production sites provide exactly the same quality.

LOCALIZED OPERATIONAL PROCESS, SUPPORT PROCESS

Surface treatment
(internal/external)

Assembly

Measuring,
testing and
packaging

Logistics





QUERÉTARO, MEXIKO

Product examples

- Knee air bag cover
- Safety belt buckle
- Steering wheel cover
- Air flow system

Machinery

- 11 injection molding machines (from 120 tons to 900 tons)
- Coordinate measuring machine
- Flammability testing equipment
- Viscosity testing equipment
- Various machines and equipment for tool maintenance

Building area

Total: 6605 m²
Production: 2476 m²
Warehouse: 2077 m²
Office: 1438 m²
Periphery: 614 m²

Number of employees

100 (As a result of the enlargement of the plant, up to 100 additional jobs are planned in the next few years.)

Customers

Automotive manufacturers (OEM) and direct suppliers (1st tier)

Added value

State-of-the-art processes and applications ensure that the customer's requirements are precisely met, and that all the production sites provide exactly the same quality.

Surface treatment
(internal/external)

Assembly

Measuring,
testing and
packaging

Logistics



Consulting
and product
development

Consulting and
3-D-print-
design

Simulation and
prototype
engineering
(internal/external)

Tool/process
development
(internal/external)

Component
production



LOCALIZED OPERATIONAL PROCESS, SUPPORT PROCESS

Surface treatment
(internal/external)

Assembly

Measuring,
testing and
packaging

Logistics

SUZHOU, CHINA

Product examples

Components and modules for

- Safety belt buckle
- Door sill plate
- Air/water separation

Machinery

- 29 injection molding machines (from 155 tons to 420 tons)
- Coordinate measuring machine
- Viscosity testing equipment
- Various machines and devices for tool maintenance

Building area

Total: 7205 m²

Production: 3629 m²

Warehouse: 2750 m²

Office: 430 m²

other: 397 m²

Number of employees

60

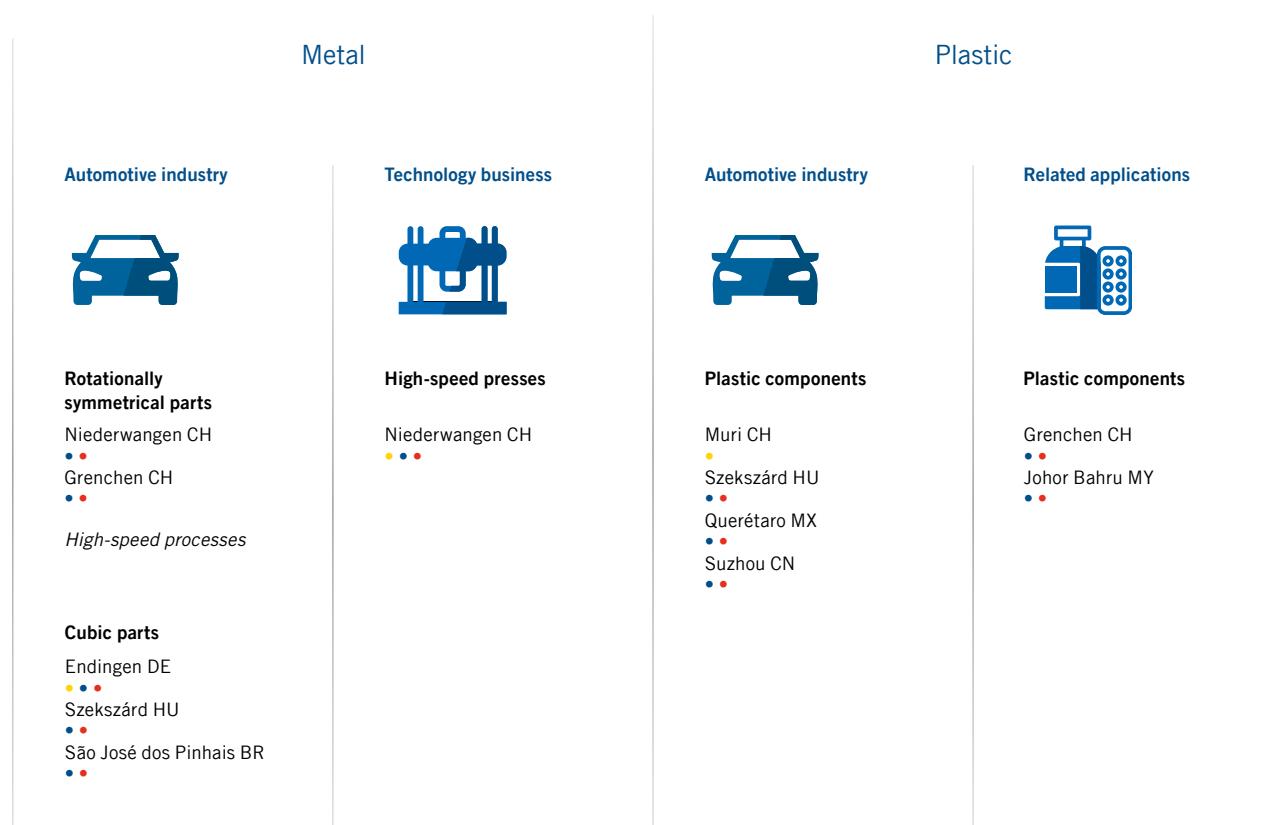
Customers

Direct suppliers (1st Tier)

Added value

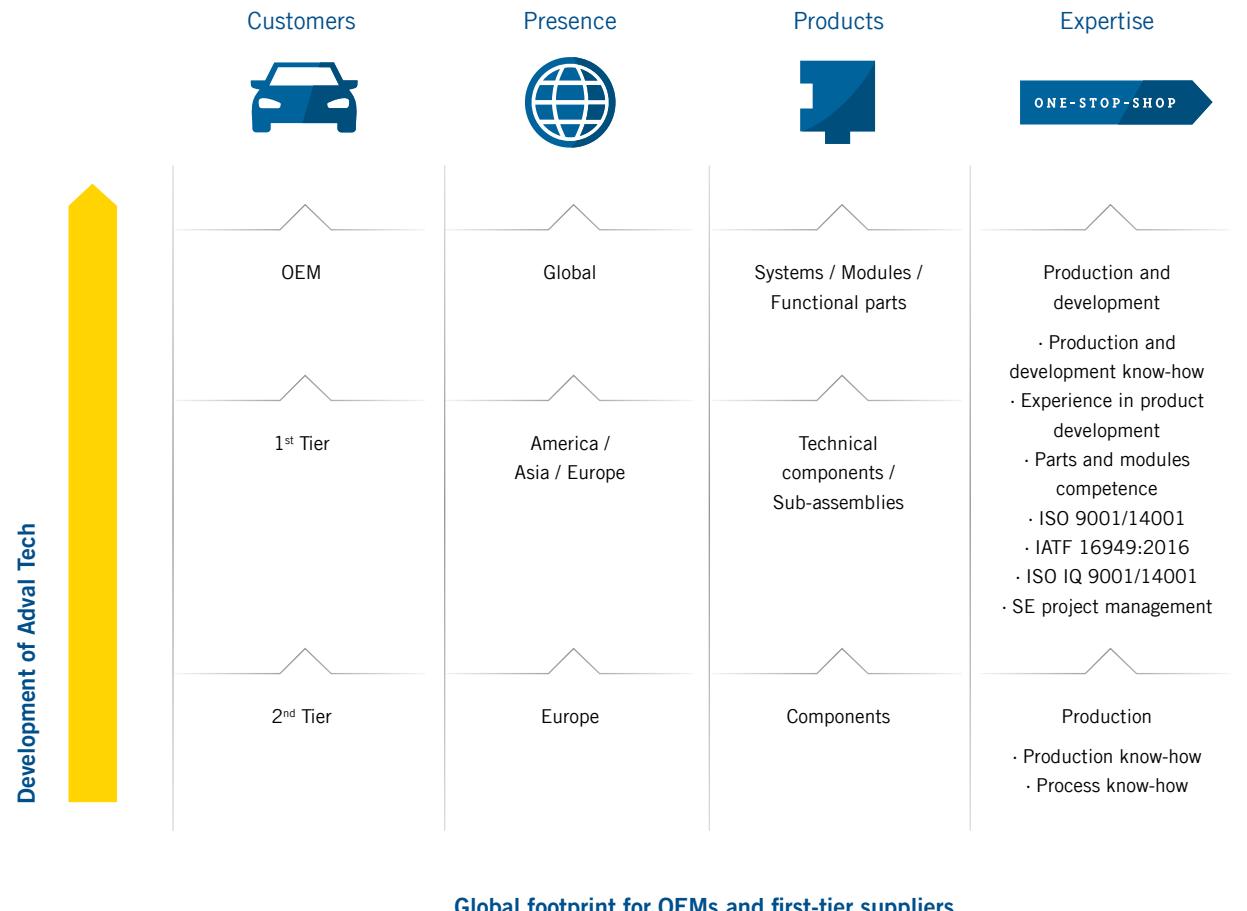
State-of-the-art processes and applications ensure that the customer's requirements are precisely met, and that all the production sites provide exactly the same quality.

MARKET, DEVELOPMENT, PROCESS AND PRODUCTION STRATEGY



• Development know-how • Process know-how • Production know-how

STRATEGY IN AUTOMOTIVE BUSINESS



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 machines. 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 and Brazil.

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 systems and safety belt 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 metal 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.

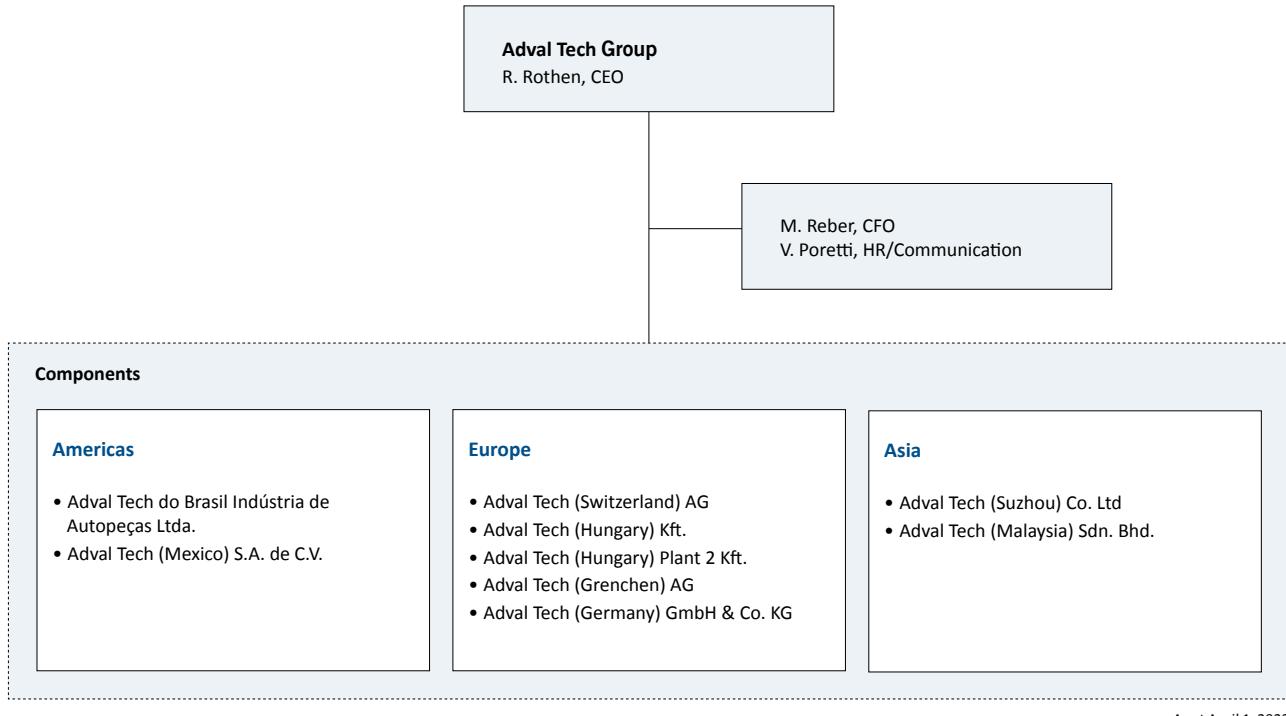
Values

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, 2022

EXECUTIVE BODIES

Board of Directors

René Rothen, Chairman

Hans Dreier

Christian Mäder

Jürg Schori

Nomination and Compensation Committee: Christian Mäder and Jürg Schori

Honorary Chairman: Dr. h.c. Willy Michel

Group Executive Management

René Rothen, Chief Executive Officer

Valeria Poretti-Rezzonico, Head Corporate HR/Communication

Markus Reber, Chief Financial Officer

Statutory Auditors

Deloitte AG, Zurich



● Plastic
● Metal

		Components	
		Metall	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		●
America	Adval Tech (Mexico) S.A. de C.V., Querétaro, Mexiko		●
	Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais, Brazil	●	

GROUP EXECUTIVE MANAGEMENT



FROM LEFT TO RIGHT:

RENÉ ROTHEN

CHIEF EXECUTIVE OFFICER

VALERIA PORETTI-REZZONICO

HEAD CORPORATE HR/COMMUNICATION

MARKUS REBER

CHIEF FINANCIAL OFFICER

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 2021 financial year, to the position at the balance sheet date of December 31, 2021, to the Company's (Adval Tech Holding AG) Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of December 10, 2020. 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 concentrates on selected activities in the business with metal and plastic components and focuses on the automotive market (automotive) and related applications. The operating business units report as follows:

- Adval Tech (Grenchen) AG: to the managing director of the Niederwangen site of Adval Tech (Switzerland) AG
- Adval Tech (Hungary) Kft, Adval Tech (Suzhou) Co. Ltd, Adval Tech (Mexico) S. A. de C.V.: to the managing director of the Muri site of Adval Tech (Switzerland) AG
- Adval Tech (Hungary) Plant 2 Kft: to the managing director of Adval Tech (Germany) GmbH & Co. KG
- The other business units report directly to the Chief Executive Officer (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 31.

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, 2021, was CHF 118.3 million.

On December 31, 2021, Adval Tech Management AG held 96 registered shares in Adval Tech Holding AG (previous year: 96). The remaining group companies hold no shares in Adval Tech Holding AG.

The following companies are included in the scope of consolidation as at December 31, 2021:

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, in liquidation	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	3,298	100%
Adval Tech (US) Inc.	Cleveland, OH, U.S.A	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	13	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	10,060	100%
Adval Tech (Malaysia) Sdn. Bhd.	Johor Bahru, 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 scope of consolidation has not changed in the year under review. The operating activities of Adval Tech Immobilien AG have been discontinued in 2020. At the company's Annual General Meeting on May 14, 2020, the liquidation of the company was resolved. The company no longer carries out any activities. The formal liquidation process is still ongoing.

For further details of the scope of consolidation, see note 4 on page 78 of this Annual Report.

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

During the 2021 financial year, there was no disclosure report based on Art. 120 et seq. of the FINMIA.

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, 2021, are listed below.

Ownership interest (as last reported)	12/31/2021	12/31/2020
Dr. h.c. Willy Michel ⁴⁾	28.9%	28.9%
Artemis Beteiligungen I AG, Hergiswil ¹⁾⁵⁾	21.5%	21.5%
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, Muri b. Bern, Switzerland; Rudolf Dreier, Altendorf, Switzerland
- 4) Represented on the Board of Directors by Jürg Schori
- 5) Represented on the Board of Directors by Christian Mäder

* Effective amount of holding as at December 31, 2021 and December 31, 2020

There are no shareholders' pooling agreements and no capital or voting cross-holdings. The overall structure of shareholdings at December 31, 2021, was as follows:

Number of shares	Shareholder
1 to 100	297
101 to 1,000	76
1,001 to 10,000	18
More than 10,000	8
Total	399

Capital structure

As at December 31, 2021, 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 45 and 46).

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

CHF	12/31/2021	12/31/2020	12/31/2019
Share capital	14,600,000	14,600,000	14,600,000
Legal capital reserve	59,573,058	60,047,365	61,032,736
Legal retained earnings	9,517,000	9,517,000	9,517,000
<i>General legal retained earnings</i>	<i>9,500,000</i>	<i>9,500,000</i>	<i>9,500,000</i>
<i>Reserve for treasury shares</i>	<i>17,000</i>	<i>17,000</i>	<i>17,000</i>
Voluntary retained earnings	11,267,610	11,267,611	11,267,611
Profit carried forward	47,027,453	44,593,247	44,733,542
Loss/profit for the year	-22,051,692	2,945,269	845,075
Total shareholders' equity	119,933,429	142,970,492	141,995,964

There were no changes in capital in 2019, 2020 and 2021.

As at December 31, 2021, 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, Baslerstrasse 90, 4600 Olten, on behalf of Adval Tech Holding AG.

Board of Directors

On December 31, 2021 the Board of Directors of Adval Tech Holding AG was composed of the following members:

- **René Rothen (Chairman and CEO)**, 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. Re-elected as executive member and as Chairman of the Board of Directors (since May 2020) until the end of the Annual General Meeting for the financial year 2021. René Rothen holds the office of Chief Executive Officer and the office of Chairman of the Board of Directors in personal union. René Rothen does not hold any other mandates outside the Adval Tech Group.
- **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 1, 2018 (executive member of the Board of Directors from 1988 to March 31, 2018) and re-elected until the conclusion of the Annual General Meeting for the 2021 financial year. He was available to the Adval Tech Group as a consultant on a part-time basis for projects and special assignments until December 31, 2021, following his retirement on March 31, 2018, in addition to his function as a member of the Board of Directors. He is expected to continue as a consultant until the end of June 2022. Hans Dreier does not exercise any other mandates outside the Adval Tech Group.

- **Christian Mäder**, born 1969, Swiss; Swiss certified expert in accounting and controlling. Since 2015, CFO and member of the executive committee of Artemis 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 (Motor-Columbus Group). Member of the Board of Directors of Adval Tech Holding AG since May 2017, non-executive, re-elected until the close of the Annual General Meeting for financial year 2021. Christian Mäder is Chairman of the Board of Directors of Franke Holding AG, Aarburg (Switzerland) and Kraftwerk Europe AG, Mönchaltorf (Switzerland). He is Vice Chairman of the Board of Directors of Feintool International Holding AG, Lyss (Switzerland). He is also a member of the Board of Directors of O. Kleiner AG, Wohlen (Switzerland), a member of the Board of Directors of Ciron S.A., Zurich (Switzerland) and a member of the Board of Directors of Sant'Isidoro S.R.L., Florence (Italy). Feintool International Holding AG is listed on the stock exchange. Christian Mäder holds the other five mandates with non-listed legal entities.
- **Jürg Schori**, born in 1960, Swiss, professional qualification as Swiss certified commercial employee, with further training as a Swiss certified commercial traveler and a Swiss certified sales manager. In addition to his theoretical training, he gained extensive experience in management functions, especially in sales and marketing, in several industrial companies and an advertising firm. Subsequently, from 1990 to 2000, Jürg Schori worked for Disetronic Medical Systems, Burgdorf (today Ypsomed AG), in various management functions in the areas of sales, marketing and management of the Swiss subsidiary. Since 2000 he has been COO of Techpharma Management AG, Burgdorf. Elected to the Board of Directors of Adval Tech Holding AG as a member at the Annual General Meeting on May 14, 2020, non-executive. He was re-elected until the conclusion of the Annual General Meeting for the 2021 financial year. Jürg Schori was co-founder, co-owner and Vice Chairman of the Board of Directors of Fertility Biotech AG, which is not listed on the stock exchange and has since been liquidated. Following the successful development, registration in Europe and marketing of a biotechnologically produced drug, this was outlicensed to the internationally active company Gedeon Richter. Jürg Schori also serves as a member of the Board of Directors of several smaller non-listed companies.

Dr. h.c. Willy Michel, born 1947, Swiss citizen, was elected Honorary Chairman of the Board of Directors of Adval Tech Holding Ltd at the Annual General Meeting on May 20, 2021. He was a member of the company's Board of Directors from 2007 to 2019 and its Chairman from 2012 to 2019.

Apart from René Rothen and Hans Dreier, none of the other members of the Board of Directors has been active for the Adval Tech Group in an operational or advisory capacity in the past three years.

Furthermore, as of December 31, 2021, the members of the Board of Directors were not active in any management or supervisory bodies of significant Swiss or foreign corporations, institutions and foundations under private or public law other than those already listed above, 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, 2021 (outside the Adval Tech Group)

Number of mandates	Public companies	Unlisted legal entities
Restriction under Articles of Incorporation	5	10
René Rothen	0	0
Hans Dreier	0	0
Christian Mäder	1	5
Jürg Schori	0	3

In fiscal year 2021, material was purchased from related parties for CHF 59,000. As a result of these transactions, there were liabilities to related parties of CHF 6,000 as of December 31, 2021. In the previous year, neither sales were generated to related parties, nor were there any receivables from related parties as at the balance sheet date of December 31, 2020. 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 37 on page 99 of this Annual Report.

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 20, 2021:

- René Rothen, Hans Dreier, Christian Mäder and Jürg Schori were individually elected as members of the Board of Directors for a term of one year, elapsing at the close of the next Annual General Meeting.
- René Rothen was 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 Christian Mäder and Jürg Schori, were elected individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting.
- Dr. h.c. Willy Michel was elected Honorary Chairman of the Board of Directors.
- The law and notary firm of Muntywyler von May Notare in Bern und Ittigen was re-elected as independent proxy for the period ending at the close of the next Annual General Meeting.
- Deloitte AG, Zurich, were re-elected as auditors for the 2021 financial year.

Subject to the powers reserved to the Annual General Meeting (members of the Board of Directors, election of the Chairman of the Board and members of the Nomination and 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. Paragraph 5 lists the duties and competencies of the Audit Committee; those of the Nomination and Compensation Committee are listed in Note 6 (direct link: www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules).

The personnel composition of the Audit Committee was changed in fiscal 2020 as follows:
The entire Board of Directors now performs the duties and responsibilities of the Audit committee. 2021, the Nomination and Compensation Committee was made up exclusively of non-executive members of the Board of Directors (as in the previous year): Christian Mäder (member) and Jürg Schori (chariman).

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. Participation rate was 100% (see table on page 43). In the first semester, before the General Assembly of May 20, 2021, two meetings. Two meetings were also held in the second half of the year. Board meetings usually last half a working day. The Group Executive Management, – Chief Executive Officer (CEO), he is also Chairman of the Board of Directors, 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. Usually, the CFO attends the meetings in a consultative capacity. The Audit Committee meets as often as business requires, but at least twice a year. Three meetings were held in 2021, participation rate was 100% (see table on page 43): One meeting was held before the Annual General Meeting on May 20, 2021, two meetings after the Annual General Meeting. The auditors, the CFO and the Head Corporate HR/Communication attended all meetings. No other external advisers were called in. The meetings usually last two to four hours. The meeting of the Audit Committee in December 2021 was integrated into the ordinary meeting of the Board of Directors. The audit findings can be seen in the remuneration report on page 64, and on pages 101 to 104 for the consolidated financial statements and on pages 117 to 119 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 non-executive 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 2021. Participation rate was 100% (see table on page 43). As a rule, the CEO attends meetings in an advisory capacity, however, he stands aside when his compensation is being negotiated. In 2021 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 2021

Full Board of Directors ¹⁾			Audit Committee ¹⁾		Nomination and Compensation Committee ²⁾	
Name	Position	Meetings attended	Position	Meetings attended	Position	Meetings attended
René Rothen	Chairman and CEO	4	Member	3		-
Hans Dreier	Member	4	Member	3		-
Christian Mäder	Member	4	Member	3	Member	1
Jürg Schori	Member	4	Member	3	Chair	1
Total meetings		4		3		1
Dr. h.c. Willy Michel	Honorary Chairman	-		-		-

1) The Chairman and CEO, the CFO and the Head Corporate HR/Communication attended all meetings of the full Board of Directors and of the Audit Committee. Since 2020, the duties of the Audit Committee have been performed by the full Board of Directors.

2) Neither the CEO, the CFO nor the Head 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 page 76 of this Annual Report and cooperation with the auditors is described on pages 48 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 104 and 119 of this 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, 2021:

- **René Rothen**, born 1959, Swiss; with Adval Tech since 2007; Chairman of the Board of Directors and Chief Executive Officer; Grad. Eng. HTL. 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. For further information on his career, please refer to the section Board of Directors on page 38.
- **Markus Reber**, born 1963, Swiss; with Adval Tech since 2002, Chief Financial Officer; Exec. MBA FH. Career: controller and CIO at ABB-MMD Robotics AG, Deitingen (1989–1992), Commercial Manager of ABB Fläkt AG, Lucerne (1993), Head of Finance and Administration in the Repair unit of Swisscom AG, Bern (1993–1997), Head of Finance and Controlling in the Service and Repair unit of Swisscom AG, Bern (1997–2000), Head of Finance and Central Services at the Feusi Bildungszentrum, Bern (2000–2002). Joined Adval Tech as Group Controller, CFO and member of the Group Executive Management since January 1, 2007.
- **Valeria Poretti-Rezzonico**, born 1961, Swiss; with Adval Tech since 2008; Head 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 Corporate HR/Communication, member of the Group Executive Management since May 1, 2012. On November 19, 2021, the resignation of Valeria Poretti-Rezzonico from the Executive Committee was announced. She will retire at the end of November 2022

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 <https://www.advaltech.com/en/group/about-advaltech/corporate-governance/articles-of-incorporation-and-rules/>.

For further details on mandates, please see the notes on the Board of Directors on pages 39 and 40 of this Corporate Governance Report and Article 30 of the Articles of Incorporation.

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 Remuneration Report on pages 53 to 63 of this Annual Report.

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 53 through 63. 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 <https://www.advaltech.com/en/group/about-adval-tech/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, 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 <https://www.advaltech.com/en/group/about-advaltech/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 (member of the Board of Directors of the Adval Tech Group from 2007 to 2020), 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 and mentioned above were also applied by the Board of Directors in the 2021 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 <https://www.advaltech.com/en/group/about-adval-tech/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 19, 2022 is tentatively set for May 9, 2022.

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

Independent proxy

Under the Company's Articles of Incorporation, 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.

In 2021, as in the previous year, the global coronavirus pandemic also had an impact on the organization and conduct of the Annual General Meeting. Based on the corresponding ordinance of the Federal Council, the Annual General Meeting of Adval Tech Holding AG on May 20, 2021, was again held without shareholders being able to attend in person. They were able to exercise their rights at the 2021 General Meeting exclusively through the independent proxy in writing or electronically. In addition, the Board of Directors had decided to hold the Annual General Meeting at the Company's registered office in Niederwangen.

For the Annual General Meeting on May 20, 2021, all shareholders were able to register on the Computershare platform (<https://www.gvote.ch>) and issue their instructions to the independent proxy electronically. The electronic issuance of proxies and instructions was possible until 11:59 p.m. on May 18, 2021.

At the Annual General Meeting on May 20, 2021, legal firm Muntwyler von May Notare, of Bern and Ittigen, was re-elected as independent proxy for the period up to the end of the next Annual General Meeting. Muntwyler von May Notare is an independent legal firm.

For the upcoming Annual General Meeting of May 19, 2022, 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 platform of Computershare (www.gvote.ch). The procedures for registration and voting using this platform are sent to shareholders recorded in the share register together with the invitation to the Annual General Meeting.

Changes of control and defense mechanisms

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

Statutory auditors

The Annual General Meeting elects the auditors for a period of one year. Deloitte AG, Zurich, were elected as statutory auditors for Adval Tech Holding Ltd for the first time for the 2019 fiscal year at the annual general meeting held on May 23, 2019. At the Annual General Meeting on May 20, 2021, Deloitte AG was re-elected

as auditors. Christophe Aebi has been the lead auditor for the 2020 financial year. The total audit fee invoiced or accrued by Deloitte AG in the 2021 financial year amounted to CHF 416,000 (previous year: CHF 319,000).

In 2021, the auditors were paid a total fee of CHF 50,000 for tax advice (previous year: CHF 32,000).

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 Board of Directors and the Group Executive Management.

The auditors attended all three meetings of the Audit Committee in 2021 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 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 Board of Directors before being awarded. For the year under review, the Board of Directors 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.

Trading blackout periods

Adval Tech Holding Ltd has laid down clear rules regarding trading blackout periods ("blackout periods") in its regulations on insider trading dated April 15, 2016, as amended on December 9, 2021.

The Adval Tech Group has restricted trading in shares of Adval Tech Holding AG for members of the Board of Directors, the Executive Committee and the management of group companies as well as for all persons with access to the operational reporting system. No exceptions are granted.

As a rule, trading in shares of the company is prohibited 90 days prior to publication of the annual financial statements (as of December 31) and 60 days prior to publication of the half-year results (as of June 30) up to and including one day after publication of the results. The dates of publication of all financial results are available on the Company's website: <https://www.advaltech.com/gruppe/investoren/agenda/>.

Further trading suspensions due to projects and transactions (e.g. major investments, acquisitions or sales, as well as significant changes in the capital or shareholder structure) with potentially price-relevant effects are ordered as required. In these cases, the period between the day on which the information leading to "ad hoc publicity" comes to the company's attention internally and the day after publication of this information is deemed to be the trading blackout period.

The members of the Board of Directors, the Executive Committee and the management of Group companies are reminded by e-mail by the Chief Financial Officer (CFO) of the applicable blackout periods or informed of new blackout periods in good time before the start of the trading blackout periods.

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 Corporate HR/Communication, Valeria Poretti-Rezzonico, directly. Adval Tech publishes its results in an annual report and a semi-annual report, and also in press releases. Media and analyst conferences are held for special events. The annual and semi-annual reports can be accessed on the Adval Tech Group's website <https://www.advaltech.com/en/group/investors/reports/> or can be ordered from the company in printed form.

In addition, both the invitation and the minutes of the respective Annual General Meeting are available on the Company's website. See <https://www.advaltech.com/en/group/investors/annual-general-meeting/>.

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

Detailed information regarding disclosure reports can be accessed at www.six-exchange-regulation.com/de/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). These ad hoc announcements pursuant to Art. 53 LR are available on the Company's website under the menu selection Ad-hoc Publicity: <https://www.advaltech.com/en/group/news/corporate-news/ad-hoc-publicity/>.

Other corporate news published by the Company can be found at: <https://www.advaltech.com/en/group/investors/company-news/press-releases/>.

Information on transactions in the Company's shares by the Board of Directors and Group Executive Management are published regularly at www.six-exchange-regulation.com/de/home/publications/management-transactions.html?companyId=ADVAL.

The Articles of Incorporation and the Organizational Regulations of Adval Tech Holding Ltd are available at www.advaltech.com. Direct link for the Articles of Incorporation and Bylaws: www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules/.

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

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Upcoming events

Annual General Meeting:
Thursday, May 19, 2022, Bern

Announcement of semi-annual results:
End of August 2022

REMUNERATION REPORT

This remuneration report for the 2021 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 ("Company").

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 Remuneration Report refers to the balance sheet date of December 31, 2021, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of December 10, 2020.

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.

The following maximum total amounts of remuneration are proposed to the Annual General Meeting for approval in separate votes 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.

This Compensation Report will be submitted to the shareholders for a consultative vote at the Annual General Meeting 2022.

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 additional compensation 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: <https://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. At the Annual General Meeting on May 20, 2021, the current Board member Christian Mäder (member) and Jürg Schori (chair) were elected in individual elections as members of the Nomination and Compensation Committee for the period until the conclusion of the next Annual General Meeting. More details on the Nomination and Compensation Committee can be found in the "Corporate Governance" section on pages 42 and 43 of this Annual Report.

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

Type of compensation	Nomination and Compensation 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 Annual 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 the Group Executive Management for the financial year following the AGM	Recommend	Propose to AGM	Approve
Total amount of variable compensation for members of the Group Executive Management for the financial year preceding the AGM	Recommend	Propose to AGM	Approve
Individual elements of compensation for members of the Group Executive Management (basic salary and fringe benefits ¹⁾ , variable component) in the previous 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 2021, the Board of Directors has left the fee structure unchanged from the previous year. The following fees apply for the 2021 financial year:

- The Chairman of the Board of Directors will receive a fixed fee of CHF 60,000.
- The other members of the Board of Directors will receive a fixed fee of CHF 40,000.
- No additional fee has been paid for serving on committees since the 2020 Annual General Meeting.
- In addition, the members of the Board of Directors receive an attendance fee and a lump-sum expense allowance for each meeting they attended. A maximum of one attendance fee and one lump-sum expense allowance are paid per day, even if several meetings were held on the same day.
- The Chairman of the Board of Directors waived payment of the lump-sum expense allowance in the 2020 and 2021 financial years.

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 53 and 54 of this remuneration report.

Remuneration of the Board of Directors for 2020 and 2019 (audited figures)

The following tables show the compensation paid to the members of the Board of Directors for the 2021 and 2020 financial years.

Remuneration for the 2021 financial year

CHF	Position	Basic remuneration ¹⁾	Other remuneration ²⁾	Social insurance contributions	Total	Representation expenses ³⁾
René Rothen ⁴⁾	Chairman and CEO	60,000	6,000	4,838	70,838	0
Hans Dreier	Member	40,000	6,000	3,168	49,168	4,800
Christian Mäder ^{5) 6)}	Member	40,000	6,000	0	46,000	4,800
Jürg Schori ⁵⁾	Member	40,000	6,000	3,654	49,654	4,800
Total Board of Directors		180,000	24,000	11,660	215,660	14,400

1) Fixed fee

2) Attendance fee

3) Lump-sum expense allowance

4) The remuneration as CEO of Adval Tech Holding Ltd is listed separately in the table "Remuneration to the Group Executive Committee for the financial years 2021 and 2020"

5) Member of the Nomination and Compensation Committee

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

The Annual General Meeting of May 20, 2021, approved maximum total compensation for members of the Board of Directors for their terms up to the Annual General Meeting for the 2021 financial year in the amount of CHF 280,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2021 financial year and amount approved by the 2021 AGM for the period up to the 2022 AGM:

CHF	Total compensation in financial year (incl. representation expenses) 2021	Less compensation for the period from Jan. 1, 2021, to the 2021 AGM (5 months)	Plus compensation for the period from Jan. 1, 2022 to the 2022 AGM (5 months)	Total compensation for the period from the 2021 AGM to the 2022 AGM	Maximum total compensation approved at the 2021 AGM
Total Board of Directors (4 members)	230,060	113,504	115,030	231,586	280,000

The total compensation of the Board of Directors for the 2021 financial year is within the amount approved by the Annual General Meeting. The basic remuneration and the rates for attendance fees and the lump sum expense allowance have not changed.

Remuneration for the 2020 financial year

CHF	Position	Basic remuneration ¹⁾	Other remuneration ²⁾	Social insurance contributions	Total	Representation expenses ³⁾
Dr. h.c. Willy Michel ^{5) 6)}	President until 14.05.2020	33,250	2,000	0	35,250	2,000
René Rothen ^{4) 8)}	President from 14.05.2020	27,000	0	2,019	29,019	0
Hans Dreier ⁴⁾	Member	41,750	7,000	3,081	51,831	5,600
Christian Mäder ^{4) 5) 7)}	Member	41,750	5,000	0	46,750	4,000
Jürg Schori ⁴⁾	Member from 14.05.2020	18,000	3,000	1,664	22,664	2,400
Dr. Roland Waibel ^{4) 5)}	Member until 14.05.2020	28,500	3,000	2,496	33,996	2,400
Total Board of Directors		190,250	20,000	9,260	219,510	16,400

1) Fixed fee and collaboration in committees (it was rewarded until the General Meeting of 14 May 2020)

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee (R. Waibel until May 14, 2020). Since May 14, 2020, the full Board of Directors has performed the function of the Audit Committee.

5) Member of the Nomination and Compensation Committee (J. Schori since May 14, 2020, R. Waibel until May 14, 2020)

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

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

8) René Rothen is also CEO of the Company, the compensation as CEO of Adval Tech Holding Ltd is shown separately in the table "Compensation paid to the Group Executive Management for the 2021 and 2020 financial years".

In 2020, from introduction of short-time working as of April 1, the Board of Directors has voluntarily waived 10% of the fee remuneration.

The Annual General Meeting of May 14, 2020 approved maximum total compensation for members of the Board of Directors for their terms up to the Annual General Meeting for the 2020 financial year in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2020 financial year and amount approved by the 2020 AGM for the period up to the 2021 AGM:

CHF	Total compensation in financial year (incl. representation expenses) 2020	Less compensation for the period from Jan. 1, 2020 to the 2020 AGM (5 months)	Plus compensation for the period from Jan. 1, 2021 to the 2021 AGM (5 months)	Total compensation for the period from the 2020 AGM to the 2021 AGM	Maximum total compensation approved at the 2020 AGM
Total Board of Directors (4 members)	235,910	127,737	113,504	221,677	320,000

The total compensation of the Board of Directors for the 2020 financial year is within the amount approved by the Annual General Meeting. The basic remuneration and the rates for attendance fees and lump-sum expenses remained unchanged.

The Board of Directors will propose total compensation for members of the Board of Directors for one term of office (the period from the 2022 AGM to the 2023 AGM) to the Annual General Meeting of May 19, 2022, in the amount of CHF 280,000 (the period from the 2021 AGM to 2022 AGM: CHF 280,000).

In addition to his function as a member of the Board of Directors, Hans Dreier has been working for the Company as a consultant on a part-time basis since April 1, 2018. The compensation paid for this function is disclosed in section 2.4 of this remuneration report. It is planned that his advisory activities will continue until the end of June 2022.

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 and individual targets.

The performance-based variable component is paid in cash, as a combination of cash and shares, or wholly in the form of 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 2021 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 2021 financial year

The compensation system for the Group Executive Board was supplemented with individual targets in fiscal year 2020. These individual targets were also retained for fiscal year 2021. The Board of Directors has defined the following targets for the variable compensation of the members of the Group Executive Committee:

- a) operating profit before interest and taxes (EBIT);
- b) a fixed percentage of inventories in relation to the Group's total income;
- c) individual targets for Group Executive Management members.

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) 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 target for the variable component, the target bonus, is proposed to the Board of Directors once a year by the Nomination and Compensation Committee. The variable, performance-based component is definitively determined by the full Board of Directors in each case after the target achievement assessment has been submitted. Payment is made in May of the following year, subject to approval by the Annual General Meeting.

In 2021 the CEO's target bonus was 40% and that of the other Group Executive Management members was 43% of their basic salary (previous year: 53% for the CEO and 44% for the other members).

To determine the actual bonus, the degree of attainment of the following financial targets was established:

- The Adval Tech Group's actual absolute EBIT compared to the budget, with a weighting of 50% of 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% of the total bonus. 100% target attainment represents achieving the specified target set 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.
- Achievement of individually defined targets, with a total weighting of 25% of the total bonus. Target achievement is measured and evaluated for each individual target. If the degree of target achievement is less than 75% per individual target, no bonus is paid for this individual target. If the degree of target achievement is 75% or more per individual target, the target bonus is paid out multiplied by the weighting of the respective individual target. The bonus amount can be increased with a higher degree of target achievement. If the agreed targets are exceeded, the bonus amount can be doubled at most. The sum of the weighting of the individual targets per person is not greater than 1.

Bonus structure and weighting of targets, 2020 and 2021 reporting periods

Criterion	Definition	Weighting	Target attainment		
EBIT	Absolute actual EBIT vs. budgeted EBIT	50%	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
Individual targets	Individually agreed targets per member of the Group Executive Board	25%	Degree of achievement of the agreed individual targets < 75% No bonus	Degree of achievement of the agreed individual targets = 75% Equal to target bonus	Degree of achievement of the agreed individual targets 150% Equal to double target bonus

The bonus scheme has been in place since the 2020 financial year. In principle, a portion (generally at least 20%, at most 100%) of the variable compensation of the Group Executive Management is paid in the form of shares. The distribution in shares is not applied to the bonus portion from the achievement of individual targets.

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 88% of the fixed component.

2.4 Compensation paid to the Group Executive Management for the 2021 and 2020 financial years (audited figures)

The following table shows the fixed and variable compensation and total compensation paid to the Group Executive Management for 2021 and 2020.

CHF	2021		2020	
	Group Exec. Mgmt. (3 members)	Of which highest single compensation payment ¹⁾	Group Exec. Mgmt. (3 members) ²⁾	Of which highest single compensation payment ¹⁾
Basic remuneration in cash	955,200	379,200	886,200	343,200
Other fixed remuneration in cash ²⁾	28,515	8,953	29,953	8,953
Social insurance contributions	252,931	91,291	229,186	83,897
Total fixed remuneration	1,236,646	479,444	1,145,339	436,050
Variable remuneration in cash	197,488	57,172	148,500	33,500
Share-based remuneration ³⁾	21,902	8,173	0	0
Total variable remuneration	219,390	65,345	148,500	33,500
Total management remuneration	1,456,036	544,789	1,293,839	469,550
Representation expenses	49,200	18,000	49,200	18,000

1) CEO René Rothen

2) Company car; child allowances for one member of the Group Executive Management

3) Allocation of shares in Adval Tech Holding AG as described in chapter 2.3 on page 59 and Note 22 to the Consolidated Financial Statements on pages 92 and 93.

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 was also available to the Adval Tech Group as a consultant on a part-time basis for projects and special assignments from April 1, 2018, to December 31, 2021. However, he no longer exercised management functions (see page 40 of the Corporate Governance Report 2020 and page 38 of the Corporate Governance Report 2021). The compensation for this consulting activity was paid monthly (based on a monthly gross amount of CHF 3,500 for a part-time workload. It is planned that his consulting activities will continue until the end of June 2022.

From April to December 2020, during short-time working at various Group companies, the Group Executive Management voluntarily waived a portion of its fixed compensation.

The total fixed compensation for the members of the Group Executive Management of CHF 1,236,646 for the 2021 financial year is 8% higher than in the previous year. The total fixed compensation for 2021 is in line with the maximum total fixed compensation of CHF 1,425,000 approved by the Annual General Meeting on May 14, 2020.

The targets relating to EBIT and improvement in inventories were partly achieved at consolidated level. The personal targets were met with varying degrees of achievement. The highest earning executive (CEO) has voluntarily waived a quarter of his bonus for the year 2021. The Annual General Meeting will be asked to approve a variable compensation of CHF 219,390 for the Group Executive Management for the 2021 financial year, to be paid in cash (CHF 197,488) and in shares (equivalent value of CHF 21,902 (prior year: payment exclusively in cash CHF 148,500).

The total compensation (including representation expenses) for the members of the Group Executive Committee is CHF 162,197 (12%) higher than in the previous year. On the one hand, the Executive Committee voluntarily waived part of the basic salary (CHF 63,000) during the period of short-time working in the previous year, and on the other hand, the basic salaries for 2021 were adjusted on a selective basis. Furthermore, the variable compensation proposed to the Annual General Meeting will increase due to the higher target achievement.

The Annual General Meeting on May 20, 2021, approved a fixed total compensation for the members of the Executive Committee of a maximum of CHF 1,425,000 for the financial year 2022. The corresponding disclosure of the fixed compensation for the financial year 2022 as well as a presentation of the amount actually paid out compared to the amount approved by the Annual General Meeting will be published in the Compensation Report 2022 will be published.

At the Annual General Meeting on May 19, 2022, the Board of Directors will propose that maximum total fixed compensation of CHF 1,350,000 be approved for the members of the Group Executive Management for 2023.

3. BENEFITS AND CONTRACTUAL CONDITIONS ON LEAVING THE COMPANY

The employment contracts with the members of Group Executive Management include a notice period of twelve 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, 2021, 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	12/31/2021 (Number)	12/31/2020 (Number)
René Rothen	Chairman of the Board and CEO	1,540	1,540
Hans Dreier	Member of the Board of Directors	13,450	13,450
Christian Mäder ¹⁾	Member of the Board of Directors	-	-
Jürg Schori	Member of the Board of Directors	503	503
Markus Reber	CFO	711	711
Valeria Poretti-Rezzonico	Head Corporate HR/Communication	754	754

1) Representative of Artemis Beteiligungen I AG

Further information on management transactions can be found on the SIX Swiss Exchange website at the following link: <https://www.six-exchange-regulation.com/de/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, neither in the 2021 financial year, nor in the previous year.

6. REMUNERATION FOR FORMER DIRECTORS AND OFFICERS

No other compensation was paid to former members of governing bodies in the reporting year 2021 than the amounts disclosed in section "Remuneration of the Board of Directors for 2021 and 2020" and in section 2.4 "Compensation paid to the Group Executive Management for the 2021 and 2020 financial years".

Deloitte.

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Report of the statutory auditor

To the General Meeting of
ADVAL TECH HOLDING AG, NIEDERWANGEN BEI BERN

Report of the statutory auditor in relation to the remuneration report

We have audited the accompanying remuneration report of Adval Tech Holding AG, pages 56 - 57 and page 61, for the year ended 31 December 2021.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of Adval Tech Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte AG

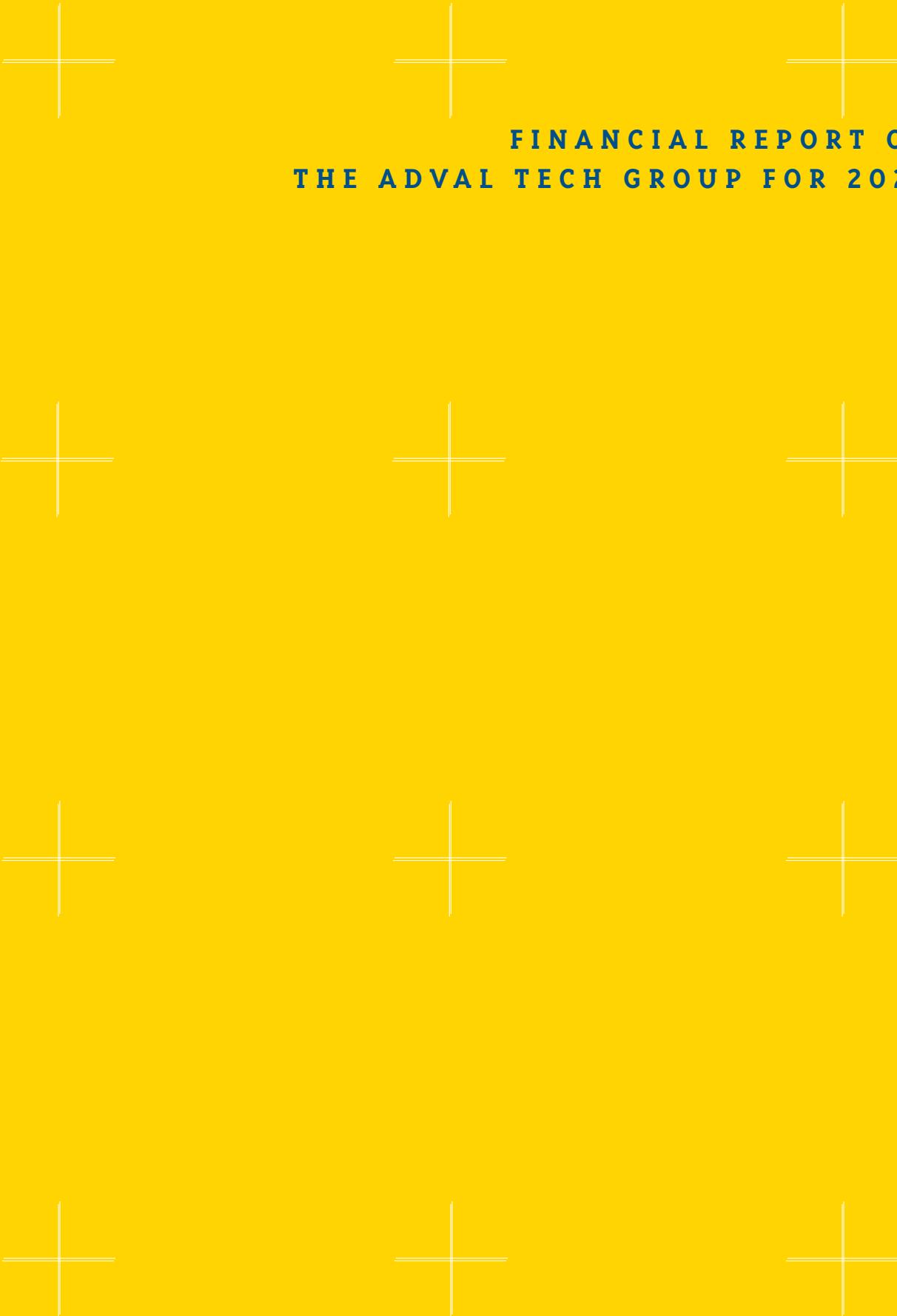


Christophe Aebi
Licensed Audit Expert
Auditor in Charge



Thomas Dettwiler
Licensed Audit Expert

Zurich, 24 March 2022



**FINANCIAL REPORT OF
THE ADVAL TECH GROUP FOR 2021**

CONSOLIDATED BALANCE SHEET

CHF 1,000	Notes	12/31/2021	12/31/2020
Liquid assets	5	31,946	19,939
Trade accounts receivable	6	23,876	24,954
Other receivables	7	3,601	5,887
Advance payments to suppliers		208	472
Inventories and work in progress	8	39,395	37,240
Prepaid expenses and accrued income	9	1,494	1,334
Total current assets		100,520	89,826
Tangible fixed assets	10	57,724	61,643
Financial assets	11	603	5,350
Intangible assets	12	1,541	2,317
Deferred tax assets	21	2,517	3,462
Total fixed assets		62,385	72,772
Total assets		162,905	162,598
Trade accounts payable	13, 37	8,899	11,969
Short-term interest-bearing liabilities	14, 16, 19	316	373
Other short-term liabilities	15	7,636	9,335
Prepaid income and accrued expenses	17	10,645	7,951
Short-term provisions	20	280	297
Accrued current income taxes		3,114	1,508
Total short-term liabilities		30,890	31,433
Long-term interest-bearing liabilities	16, 18, 19	492	444
Long-term provisions	20	1,659	1,757
Income tax liabilities	21	2,368	2,427
Total long-term liabilities		4,519	4,628
Total liabilities		35,409	36,061
Share capital	22	14,600	14,600
Capital reserves		93,194	93,668
Treasury shares		-17	-17
Goodwill offset	12	-58,665	-58,665
Translation differences		-9,951	-6,018
Retained earnings	12	88,335	82,969
Total shareholders' equity		127,496	126,537
Total liabilities and shareholders' equity		162,905	162,598

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	2021	2020
Net sales from goods and services		142,377	115,460
Income from manufacturing orders (valued using the percentage-of-completion method)		24,214	19,400
Net turnover	23, 33	166,591	134,860
Change in inventories of semi-finished and finished goods		-1,671	2,523
Own work capitalized		83	20
Other operating income	24	5,772	3,417
Total income		170,775	140,820
Cost of materials and services	25, 37	-83,486	-63,745
Personnel expenses	26, 27	-50,098	-44,490
Other operating expenses	28	-20,174	-17,415
Operating expenses		-153,758	-125,650
Operating earnings before depreciation (EBITDA)		17,017	15,170
Depreciation on tangible fixed assets	10	-6,997	-7,727
Amortization on intangible fixed assets	12	-776	-711
Depreciation		-7,773	-8,438
Operating earnings (EBIT)		9,244	6,732
Financial income	29	1,313	1,793
Financial expenses	29	-1,473	-1,531
Net financial income		-160	262
Ordinary result		9,084	6,994
Extraordinary result	30	303	-272
Net result before income taxes		9,387	6,722
Income taxes	21, 31	-3,510	-2,426
Net result after income taxes		5,877	4,296
Net result after income taxes per share (CHF)¹⁾	32	8.05	5.88

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.

SHAREHOLDER'S EQUITY

CHF 1,000	Share capital	Capital reserves	Treasury shares	Share of goodwill offset	Translation difference	Retained earnings/ accum. losses	Total shareholders' equity
at January 1, 2020	14,600	94,653	-17	-58,665	-3,871	79,659	126,359
Net result after income taxes	0	0	0	0	0	4,296	4,296
Translation differences	0	0	0	0	-2,147	0	-2,147
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	0	0	0	0
Dividends	0	0	0	0	0	-1,971	-1,971
Transfers	0	-985	0	0	0	985	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0
at December 31, 2020	14,600	93,668	-17	-58,665	-6,018	82,969	126,537
Net result after income taxes	0	0	0	0	0	5,877	5,877
Translation differences	0	0	0	0	-3,933	0	-3,933
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	0	0	0	0
Dividends	0	0	0	0	0	-985	-985
Transfers	0	-474	0	0	0	474	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0
at December 31, 2021	14,600	93,194	-17	-58,665	-9,951	88,335	127,496

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

CONSOLIDATED CASH FLOW STATEMENT

CHF 1,000	Notes	2021	2020
Net result after income taxes		5,877	4,296
Scheduled depreciation on tangible fixed assets	10	6,997	7,727
Scheduled amortization on intangible assets	12	776	711
Increase (+) / decrease (-) in long-term and short-term provisions	20	-112	-207
Increase (+) / decrease (-) in provision for deferred income taxes (net position)	21	885	368
Gain (-) / loss (+) on sales of tangible fixed assets		-43	-21
Other transactions with no impact on liquidity		-2,069	-3,030
<i>Cash flow from operating activities before change in net current assets</i>		<i>12'311</i>	<i>9'844</i>
Increase (-) / decrease (+) in receivables		1,245	-1,616
Increase (-) / decrease (+) in inventories	8	-3,065	-6,601
Increase (-) / decrease (+) in prepaid expenses and accrued income		7,719	2,099
Increase (+) / decrease (-) in trade accounts payable		-3,695	133
Increase (+) / decrease (-) in other short-term liabilities, prepaid income and accrued expenses		2,778	2,258
Cash flow from operating activities		17,293	6,117
Capital expenditure	10	-3,672	-3,438
Income from sales of tangible fixed assets	10	41	124
Investments in financial assets	11	0	-5
Income from sales of financial assets	11	0	756
Net cash outflow from investments in financial assets		-22	-17
Cash used for investing activities		-3,653	-2,580
Free cash flow		13,640	3,537
Dividend paid		-985	-1,971
Increase (+) / decrease (-) in short-term interest-bearing liabilities	14	-157	96
Increase (+) / decrease (-) in long-term interest-bearing liabilities	18	-379	-437
Cash flow from financing activities		-1,521	-2,312
Translation differences		-112	-776
Changes in liquid assets		12,007	449
Liquid assets on December 31		31,946	19,939
Liquid assets on January 1		19,939	19,490
Changes in liquid assets		12,007	449

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, percentage-of-completion 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 according to the principles of 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. From the date of reclassification to the date of disposal, no further scheduled depreciation is recorded on these items.

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accrued depreciation, which is usually calculated using the straight-line method on the basis of estimated useful life. Exceptionally, depreciation may also be made in proportion to the use of the respective asset. 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 and are discounted 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. Changes resulting from discounting are recognized in the financial result in the income statement.

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 Relationship 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.

1.22 Impact of the pandemic on financial reporting

The still prevailing pandemic is having an impact on Adval Tech's sales markets. Wherever possible, the planning is based on customer forecasts and existing contracts. The assessment of the recoverability of assets based on these forecasts is prudent. However, surprising and unforeseeable developments may have an impact on the long-term recoverability of the assets.

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.

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, in liquidation	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	3,298	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	13	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	10,060	100%
Adval Tech (Malaysia) Sdn. Bhd.	Johor Bahru, 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%

There were no changes in the scope of consolidation in the reporting year or the previous year.

Exchange rates

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

	On Dec. 31, 2021	Average in 2021	On Dec. 31, 2020	Average in 2020
BRL	0.1621	0.1696	0.1697	0.1842
CNY	0.1436	0.1417	0.1353	0.1360
EUR	1.0364	1.0814	1.0844	1.0703
MXN	0.0446	0.0451	0.0443	0.0440
USD	0.9151	0.9142	0.8828	0.9389

5. LIQUID ASSETS

Liquid assets include:

CHF 1,000	12/31/2021	12/31/2020
Cash	11	19
Postal account	36	4
Banks	30,321	18,666
Fixed-term deposits	1,578	1,250
Total liquid assets	31,946	19,939

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

6. TRADE ACCOUNTS RECEIVABLES

CHF 1,000	12/31/2021	12/31/2020
Total trade receivables (gross)	24,095	25,198
Impairment charges (allowance for doubtful receivables)	-219	-244
Total trade receivables (net)	23,876	24,954
of which: trade receivables from third parties	23,876	24,954

CHF 4.0 million of receivables was overdue on the balance sheet date (previous year: CHF 5.1 million), of which CHF 1.3 million by more than 30 days (previous year: CHF 0.9 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	2021	2020
Total on January 1	-244	-258
Provision made	-76	0
Released	101	11
Currency translation differences	0	3
Total on December 31	-219	-244

7. OTHER RECEIVABLES

CHF 1,000	12/31/2021	12/31/2020
Other current receivables, third parties	3,601	5,887
Total other receivables	3,601	5,887

This item contains CHF 1.4 million current receivables from finance leases (previous year: CHF 3.1 million).

8. INVENTORIES AND WORK IN PROGRESS

CHF 1,000	12/31/2021	12/31/2020
Trading goods	55	95
Raw material	10,622	6,877
Semi-finished and finished goods	15,324	14,393
Work in progress long-term orders	17,692	18,818
Work in progress other orders	2,809	4,474
Provisions	-7,107	-7,417
Total inventories and work in progress	39,395	37,240

Total inventories and work in progress includes CHF 0.0 million stated at net realizable value (previous year: CHF 0.0 million).

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

CHF 1,000	12/31/2021		12/31/2020	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term orders	19,297	-1,605	21,832	-3,014
Advance payments by customers	-1,605	6,335	-3,014	8,320
Net assets from work in progress long-term orders	17,692	0	18,818	0
Net liabilities from work in progress long-term orders	0	4,730	0	5,306

The manufacturing costs of orders valued using the percentage-of-completion method totaled CHF 15.0 million (CHF 17.3 million in 2020). The stated income was CHF 4.3 million (CHF 4.6 million in 2020). Advance payments by customers for work in progress on other orders have also been offset against inventories.

CHF 1,000	12/31/2021		12/31/2020	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term orders	2,982	-173	5,255	-781
Advance payments by customers	-173	622	-781	2,871
Net assets from work in progress long-term orders	2,809	0	4,474	0
Net liabilities from work in progress long-term orders	0	449	0	2,090

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

9. PREPAID EXPENSES AND ACCRUED INCOME

At CHF 1.5 million for the reporting period, prepaid expenses and accrued income are CHF 0.2 million higher than in the previous year (CHF 1.3 million). A large part of the decrease is attributable to Switzerland and to Hungary.

10. TANGIBLE FIXED ASSETS

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

	Land	Buildings	Production equipment and machinery	Other tangible assets	Leased equipment	Installations under construction	Total
CHF 1,000							
at cost							
at January 1, 2020	3,673	57,142	111,295	17,803	4,497	2,425	196,835
Changes in the scope of consolidation	0	0	0	0	0	0	0
Capital expenditure	0	614	1,107	98	184	1,083	3,086
Disposals	0	-1,557	-1,101	-1,657	0	0	-4,315
Other changes/transfers	0	1	2	-83	0	-99	-179
Change in accum. translation difference	-6	-321	-1,818	-430	-92	-112	-2,779
at December 31, 2020	3,667	55,879	109,485	15,731	4,589	3,297	192,648
Changes in the scope of consolidation	0	0	0	0	0	0	0
Capital expenditure	0	172	2,347	1,668	414	-103	4,498
Disposals	0	-215	-1,289	-788	0	0	-2,292
Other changes/transfers	0	0	0	0	0	0	0
Change in accum. translation difference	-62	-1,071	-1,199	-265	-125	-252	-2,974
at December 31, 2021	3,605	54,765	109,344	16,346	4,878	2,942	191,880
Accumulated depreciation							
at January 1, 2020	0	-28,180	-82,835	-15,807	-2,944	-221	-129,987
Changes in the scope of consolidation	0	0	0	0	0	0	0
Scheduled depreciation	0	-1,758	-4,890	-560	-519	0	-7,727
Impairment	0	-42	0	-60	0	0	-102
Disposals	0	1,557	1,101	1,657	0	0	4,315
Other changes/transfers	0	-1	97	83	0	0	179
Change in accum. translation difference	0	100	1,715	400	83	19	2,317
at December 31, 2020	0	-28,324	-84,812	-14,287	-3,380	-202	-131,005
Changes in the scope of consolidation	0	0	0	0	0	0	0
Scheduled depreciation	0	-1,677	-3,849	-711	-760	0	-6,997
Impairment	0	0	0	0	0	0	0
Disposals	0	210	1,288	788	0	0	2,286
Other changes/transfers	0	0	0	0	0	0	0
Change in accum. translation difference	0	241	878	213	26	202	1,560
at December 31, 2021	0	-29,550	-86,495	-13,997	-4,114	0	-134,156
Book values							
at January 1, 2020	3,673	28,962	28,460	1,996	1,553	2,204	66,848
at December 31, 2020	3,667	27,555	24,673	1,444	1,209	3,095	61,643
at December 31, 2021	3,605	25,215	22,849	2,349	764	2,942	57,724
Of which leased installations (finance Lease)							
at January 1, 2020	0	0	1,945	0	0	0	1,945
at December 31, 2020	0	0	1,644	0	0	0	1,644
at December 31, 2021	0	0	26	342	0	0	368

As in the previous year, there were no property, plant and equipment held for sale on the balance sheet date. Adval Tech Group has no undeveloped land.

As at 31 December 2021, there were orders for fixed assets that have not yet been delivered or invoiced and therefore not yet included in property, plant and equipment, in the amount of CHF 0.8 million outstanding (previous year: 0.1 million CHF).

As at December 31, 2021, assets under construction included CHF 0.4 million in advance payments for tangible fixed assets (previous year: CHF 0.4 million).

11. FINANCIAL ASSETS

The Adval Tech Group concludes finance lease agreements with its customers in the context of its operating business. These agreements are concluded for tools, molds and production systems used for 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	12/31/2021	12/31/2020
Receivables from finance lease contracts	448	5,201
Other long-term receivables	155	149
Total financial assets	603	5,350

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

CHF 1,000	12/31/2021	12/31/2020
within 1 year	1,417	3,084
in 2 to 5 years	448	5,201
Total future leasing income	1,865	8,285

The nominal value of these receivables totaled CHF 2.0 million (CHF 8.5 million in 2020). In the year under review, customers paid a total of CHF 4.2 million in extraordinary amortization to companies in Switzerland.

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

12. INTANGIBLE ASSETS

The following statement of changes in intangible assets applies for 2021:

CHF 1,000	Capitalized development costs	Others	Total
at cost			
at December 31, 2020	13,823	4,130	17,953
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	-53	155	102
at December 31, 2021	13,770	4,285	18,055
Accumulated amortization			
at December 31, 2020	-11,506	-4,130	-15,636
Changes in the scope of consolidation	0	0	0
Scheduled depreciation	-776	0	-776
Impairment	0	0	0
Disposals	0	0	0
Other changes	0	0	0
Change in accumulated translation difference	53	-155	-102
at December 31, 2021	-12,229	-4,285	-16,514
Book values			
at December 31, 2020	2,317	0	2,317
at December 31, 2021	1,541	0	1,541

Capitalized development costs largely result from the development of plastic components for 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 2020:

CHF 1,000	Capitalized development costs	Others	Total
at cost			
at December 31, 2019	13,834	4,564	18,398
Changes in the scope of consolidation	0	0	0
Investments acquired	0	0	0
Investments generated in-house	0	0	0
Disposals	0	-13	-13
Other changes	0	0	0
Change in accumulated translation difference	-11	-421	-432
at December 31, 2020	13,823	4,130	17,953
Accumulated amortization			
at December 31, 2019	-10,806	-4,551	-15,357
Changes in the scope of consolidation	0	0	0
Scheduled depreciation	-711	0	-711
Impairment	0	0	0
Disposals	0	0	0
Other changes	0	0	0
Change in accumulated translation difference	11	421	432
at December 31, 2020	-11,506	-4,130	-15,636
Book values			
at December 31, 2019	3,028	13	3,041
at December 31, 2020	2,317	0	2,317

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 acquisition cost of the goodwill was already fully amortized as of December 31, 2020. The theoretical value of the goodwill was therefore zero Swiss francs as at the balance sheet date (December 31, 2020: zero Swiss francs). Therefore, there would be no impact on the consolidated result and consolidated equity.

13. TRADE ACCOUNTS PAYABLE

The trade accounts payable decreased by CHF 3.1 million. As at December 31, 2021, there were CHF 0.006 million in payables to related parties from material purchases (December 31, 2020: CHF zero).

14. SHORT-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2021	12/31/2020
Banks	0	0
Short-term leasing liabilities to third parties	316	373
Short-term interest-bearing liabilities	316	373

The short-term bank loans are covered by liquid assets of CHF 31.9 million (previous year: CHF 19.9 million) (gross figures). The short-term leasing liabilities to third parties relate to the finance leases for tangible fixed assets at European locations.

15. OTHER SHORT-TERM LIABILITIES

CHF 1,000	12/31/2021	12/31/2020
Advance payments by third parties	5,179	7,396
Other short-term liabilities to third parties	2,457	1,939
Total other short-term liabilities	7,636	9,335

Advance payments by third parties decreased by CHF 2.2 million compared to the previous year. The other short-term liabilities to third parties totaled CHF 2.5 million as of December 31, 2021 (previous year: CHF 1.9 million). This item no longer includes payment obligations arising from the purchase of Adval Tech (Germany) GmbH & Co. KG in 2016 (previous year: CHF 0.02 million).

16. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	12/31/2021	12/31/2020
Face value of liabilities arising from leasing contracts due		
within 1 year	319	381
in 2 to 5 years	493	447
Total future payment commitments	812	828
less proportionate interest on the payments	-4	-11
<i>Net present value of liabilities arising from finance leases</i>	<i>808</i>	<i>817</i>
of which short-term leasing liabilities	316	373
of which long-term leasing liabilities	492	444

The leasing liabilities relate to leased production facilities in Germany and Switzerland. They did not change materially compared with December 31, 2020.

17. PREPAID INCOME AND ACCURED EXPENSES

CHF 1,000	12/31/2021	12/31/2020
Accrued expenses	6,125	6,034
Invoices not yet received	4,520	1,917
Total prepaid income and accrued expenses	10,645	7,951

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

18. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2021	12/31/2020
Long-term leasing liabilities – third parties	492	444
Total long-term interest-bearing liabilities	492	444

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.

19. 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, 2021				
Bank current accounts	0	0	Current	0.00%
Lease liabilities, short-term	316	EUR 126	Current	1.0% - 3.9%
Lease liabilities, long-term	492	EUR 376	1-5 years	1.0% - 3.9%
Total financial liabilities	808			

Financial liabilities for 2020 are as follows:

	Book value (CHF 1,000)	Foreign-currency amount (1,000 units)	Maturity	Interest rate
Balance on Dec. 31, 2020				
Bank current accounts	0	0	Current	0.00%
Lease liabilities, short-term	373	EUR 97	Current	1.0% - 3.7%
Lease liabilities, long-term	444	EUR 145	1-5 years	1.0% - 2.3%
Total financial liabilities	817			

20. PROVISIONS

CHF 1,000	Warranty provisions	Payments to employees	Restructuring provisions	Other provisions	Total
Short-term provisions at December 31, 2020	0	0	106	191	297
Long-term provisions at December 31, 2020	102	646	0	1,009	1,757
Total at December 31, 2020	102	646	106	1,200	2,054
Change in the scope of consolidation	0	0	0	0	0
Addition	106	0	0	890	996
Utilization	0	0	0	-486	-486
Release of provisions no longer required	-105	-148	-106	-269	-628
Difference arising from currency translation	3	0	0	0	3
Total at December 31, 2021	106	498	0	1,335	1,939
Short-term provisions at December 31, 2021	106	0	0	174	280
Long-term provisions at December 31, 2021	0	498	0	1,161	1,659
Total at December 31, 2021	106	498	0	1,335	1,939

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.

2020, provisions for restructuring included CHF 0.1 million for the site in Suzhou. They were reversed in the reporting year.

Other provisions include CHF 0.4 million (previous year: CHF 0.4 million) for expected future payments in connection with the sale of Companies in 2016. The provision for foreign withholding taxes whose refundability is doubtful amounts to CHF 0.5 million (previous year: 0.5 million). Provisions of 0.4 million (previous year: CHF 0.3 million) were recognized for other items.

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

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

	Warranty provisions	Payments to employees	Restructuring provisions	Other provisions	Total
CHF 1,000					
Short-term provisions at December 31, 2019	17	0	280	778	1,075
Long-term provisions at December 31, 2019	112	675	0	493	1,280
Total at December 31, 2019	129	675	280	1,271	2,355
Change in the scope of consolidation	0	0	0	0	0
Addition	0	33	106	242	381
Utilization	-13	0	-280	-140	-433
Release of provisions no longer required	0	-62	0	-92	-154
Difference arising from currency translation	-14	0	0	-81	-95
Total at December 31, 2020	102	646	106	1,200	2,054
Short-term provisions at December 31, 2020	0	0	106	191	297
Long-term provisions at December 31, 2020	102	646	0	1,009	1,757
Total at December 31, 2020	102	646	106	1,200	2,054

21. DEFERRED INCOME TAXES

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

CHF 1,000	12/31/2021	12/31/2020
Deferred tax liabilities	-2,368	--2,427
Deferred tax assets	2,517	3,462
Total deferred income taxes	149	1,035

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:

	2021	2020
Average applicable tax rate before considering loss carryforwards	20.89%	20.29%
Impact of deferred tax assets from loss carryforwards	4.17%	-0.14%
Average applicable tax rate after considering loss carryforwards	25.06%	20.16%

The expected average tax rate for the Group is the weighted average of the tax rates, based on the pre-tax profit of all subsidiaries. The expected tax rates of subsidiaries are determined annually.

CHF 4.3 million in uncapitalized losses was posted in the local financial statements (2020: CHF 3.1 million).

Deferred tax assets arising from losses carried forward have been included on the basis of forecasts (budget, medium-term planning and long-term growth expectations) by the relevant companies. They correspond to the tax loss carryforwards that can be utilized on the basis of these forecasts until they expire.

2019, a deferred tax asset of CHF 2.7 million was recognized in the income statement from expected future tax reduction in the context of the revaluation for tax purposes and future amortization of the brand Adval Tech. In the reporting year, this was reduced through profit and loss in accordance with the utilisation. The other deferred tax assets are mainly derived from capitalized tax loss carryforwards. At the balance sheet date the tax benefit still recognized amounted to CHF 2.2 million (December 31, 2020: CHF 2.4 million).

Deferred tax assets developed as follows:

CHF 1,000	2021	2020
Total at January 1	3,462	3,896
Change in the scope of consolidation	0	0
Additions	0	185
Utilization	-941	-563
Other adjustments	0	0
Currency translation differences	-4	-56
Total at December 31	2,517	3,462

The usability of tax loss carryforwards was reassessed for the individual companies. This resulted in a reduction in the recognizable assets from tax loss carryforwards for various Group companies. This change was recognized in the income statement.

Provisions for deferred tax liabilities developed as follows:

CHF 1,000	2021	2020
Total at January 1	2,427	2,437
Change in scope of consolidation	0	0
Additions	57	120
Transfers	0	0
Release	-113	-130
Currency translation differences	-3	0
Total at December 31	2,368	2,427

As in the previous year, deferred tax liabilities originate primarily from temporary differences in fixed and intangible assets. Tax losses amounting to CHF 35.7 million existing on December 31, 2021 (CHF 25.9 million in 2020) 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	12/31/2021	12/31/2020
expiring in 1 year	1,413	275
expiring in 2 years	5,626	4,896
expiring in 3 years	3,824	4,200
expiring in 4 years	3,234	243
expiring in 5 years	612	1,116
expiring in more than 5 years	20,951	15,196
Total	35,660	25,926

The theoretical deferred tax claim on unutilized tax loss carryforwards at the end of the year under review amounted to CHF 5.1 million (CHF 3.9 million in 2020) based on the respective applicable tax rates.

22. STATEMENT OF SHARE CAPITAL

The share capital was as follows on December 31, 2021:

	Registered shares
at January 1, 2021	730,000
at December 31, 2021	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	96

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:

	2021	2020
Treasury shares held at January 1	96	96
Purchases (shares)	0	0
Issued to employees (shares)	0	0
Treasury shares held at December 31	96	96
Average purchase price (CHF)	0	0
Average value for issues (CHF)	0	0

All treasury shares are held by Adval Tech Management AG. They were purchased before 2020 via Adval Tech Management AG.

Under the existing remuneration policies, no shares were granted to management staff in the year under review as part of their variable compensation (previous year: zero shares).

Non-distributable reserves in the Group's shareholders' equity amounted to CHF 4.1 million at the end of the year under review (previous year: CHF 4.0 million). Retained earnings do not include any revaluation reserves.

23. NET TURNOVER

CHF 1,000	2021	2020
Net income from deliveries and services	143,417	116,567
Income from manufacturing orders (valued using the percentage-of-completion method)	24,214	19,400
Revenue deductions	-1,040	-1,107
Total net turnover	166,591	134,860

Net turnover for 2021 came to CHF 166.6 million, an increase of CHF 31.7 million. The growth is primarily due to the recovery of sales markets following the coronavirus pandemic, especially in the first half of 2021. Supply bottlenecks at customers for certain components prevented a stronger recovery.

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.

24. OTHER OPERATING INCOME

CHF 1,000	2021	2020
Other operating income from third parties	5,706	3,264
Other operating income from related parties	6	6
Gains from sales of tangible fixed assets	60	147
Total other operating income	5,772	3,417

Other operating income consists primarily of income from sales of scrap.

25. COST OF MATERIALS AND SERVICES

Compared to the previous year, the cost of materials and external services increased by CHF 19.7 million. Their share of total income increased by 3.6 percentage points to 48.9%. The higher materials ratio is attributable to both the components and the tools business.

In the year under review, material was purchased from related parties for CHF 0.06 million.

26. PERSONNEL EXPENSES

The average number of employees in 2021 remained virtually unchanged year-on-year at 1,128 full-time equivalents (2020: 1,132 full-time equivalents). At the balance sheet date, the number of employees totaled 1,134 FTEs (1,105 FTEs in 2020).

At the Endingen site, short-time working was introduced selectively in the fourth quarter of 2021 due to low demand. CHF 0.07 million was recognized from reimbursements for short-time work (previous year: CHF 2.9 million for short-time work at the Niederwangen and Muri sites in Switzerland and Endingen in Germany). In the previous year, the Board of Directors, Group Management and senior management of the Group also voluntarily waived part of their compensation.

27. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

As at the balance sheet date and the end of the previous year, there were no employer contribution reserves.

Financial benefit/financial obligations and pension expenses for 2021 and 2020 are as follows:

	Surplus 12/31/2021 CHF 1,000	Financial share of the organization 12/31/2021 12/31/2020		Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period	Pension expenses in 2021
Pension fund of Adval Tech Holding AG incl. surplus	0	0	0	0	1,430	1,430
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	0	155
Total	0	0	0	0	1,430	1,585

In the previous year:

	Surplus 12/31/2020 CHF 1,000	Financial share of the organization 12/31/2020 12/31/2019		Change vs. previous year, posted to income in financial year	Contributions accrued in the relevant period	Pension expenses in 2020
Pension fund of Adval Tech Holding AG incl. surplus	0	0	0	0	1,484	1,695
Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall	0	0	0	0	0	145
Total	0	0	0	0	1,484	1,840

The pension fund of Adval Tech Holding AG is a legally independent foundation (Pension Fund Foundation of Adval Tech Holding Ltd). It is subject to Swiss occupational pension legislation. All employees of the Swiss group companies in the Adval Tech Group are insured in this pension fund. The funding ratio as of December 31, 2021, was 120% (previous year: 123%). No economic benefit is expected from the pension fund for the Adval Tech Group.

The above data is based on the financial statements of the pension funds at December 31, 2021 (or December 31, 2020), 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.

28. OTHER OPERATING EXPENSES

CHF 1,000	2021	2020
Maintenance, repair, replacements, operating materials	-5,670	-4,688
Premises, energy	-5,162	-4,613
Insurance, office and administration expenses	-5,402	-4,867
Marketing, sales and distribution expenses	-2,984	-2,457
Sundry operating expenses	-956	-790
Total other operating expenses	-20,174	-17,415

Other operating expenses in the reporting period were up by CHF 2.8 million on the year-back figure. In relation to total income, other operating expenses declined from 12.4% in 2020 to 11.8% in the reporting period. The “Sundry operating expenses” line item also includes CHF 0.004 million in losses on the sale of tangible fixed assets (2020: CHF 0.1 million).

29. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1,000	2021	2020
Interest earned	109	105
Currency gains	902	939
Unrealized currency differences	302	749
Total financial income	1,313	1,793
Interest paid	-76	-99
Bank charges and fees	-121	-101
Currency losses	-1,196	-1,196
Losses on derivative financial instruments	0	-8
Other financial expenses	-80	-127
Total financial expenses	-1,473	-1,531
Financial result	-160	262

In the reporting year, the currency differences were net balanced (gain of CHF 0.008 million). In the previous year, a net gain of CHF 0.5 million was recorded. The main reason for this is the change in exchange rates from local currencies to functional currencies in various countries.

Net interest income of CHF 0.03 million, generated by finance leases with customers, was posted in the year under review. (Previous year: net interest expense of CHF 0.01 million).

30. EXTRAORDINARY RESULT

CHF 1,000	2021	2020
Restructuring measures	303	-272
Result from the sale of investments	0	0
Result from the purchase of investments	0	0
Other operating income	0	0
Total extraordinary result	303	-272

The extraordinary income reported in the reporting year relates to the discontinuation of production for a major OEM customer in Brazil, which ceased production of automobiles at several plants at the beginning of the reporting year. The compensation payments received, including for lost margins in the future, slightly exceeded the direct costs of the production shutdown. The restructuring expense recognized in the previous year relates to the plant relocation at the site in Suzhou, China.

31. INCOME TAXES

CHF 1,000	2021	2020
Current income taxes	-2,625	-2,058
Change in provision for deferred taxes	-885	-368
Total tax expenses	-3,510	-2,426

In 2019, deferred tax assets of CHF 2.7 million were recognized in income from expected future tax reductions in the context of the tax revaluation and future amortization of the Adval Tech brand. Those were reduced according to their use in the year under review.

The change in provisions for deferred taxes includes the amortization of CHF 0.3 million from trademark licenses capitalized for tax purposes at the Adval Tech Holding AG (2020: CHF 0.3 million). Furthermore, CHF 0.6 million of deferred taxes from capitalized tax loss carryforwards (2020: CHF 0.03 million) were liquidated.

32. NET RESULT PER SHARE

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

33. INCOME BY REGIONS

Income by region is as follows:

CHF 1,000		2021		2020
Net turnover	166,591	100%	134,860	100%
<i>Europe</i>	<i>124,159</i>	<i>74.0%</i>	<i>100,395</i>	<i>74.0%</i>
– of which Germany	61,091	36.0%	49,588	37.0%
– of which Switzerland	19,749	12.0%	15,359	11.0%
– of which Hungary	12,611	8.0%	10,643	8.0%
– of which Czech Republic	10,562	6.0%	5,691	4.0%
– of which France	4,886	3.0%	5,057	4.0%
– of which Slovakia	3,543	2.0%	2,271	2.0%
– of which Turkey	2,872	2.0%	2,250	2.0%
– of which other European countries	8,845	5.0%	9,536	6.0%
<i>Asia</i>	<i>17,900</i>	<i>11.0%</i>	<i>14,672</i>	<i>11.0%</i>
– of which China	12,153	7.0%	9,347	7.0%
<i>North America</i>	<i>9,360</i>	<i>6.0%</i>	<i>6,287</i>	<i>5.0%</i>
<i>Latin America</i>	<i>13,348</i>	<i>8.0%</i>	<i>13,275</i>	<i>10.0%</i>
<i>Australia and Oceania</i>	<i>1,706</i>	<i>1.0%</i>	<i>116</i>	<i>0.0%</i>
<i>Africa</i>	<i>118</i>	<i>0.0%</i>	<i>115</i>	<i>0.0%</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.

34. PLEDGED ASSETS

The carrying amount of pledged items of tangible fixed assets amounted to CHF 1.1 million as of December 31, 2021 as in the previous year. The pledge listed serves as security for bank loans and credit lines.

35. CONTINGENT AND FUTURE LIABILITIES

CHF 1,000	12/31/2021	12/31/2020
Contingent liabilities in favor of third parties	518	5,534
Liabilities arising from leases	9,601	7,250
Liabilities arising from operating leases	1,759	1,438

Contingent liabilities in favor of third parties originate from guarantees issued as security for advance pay-

ments 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 1.8 million (CHF 1.3 million in 2020) within 1 year, CHF 6.5 million (CHF 5.1 million in 2020) in 2 to 5 years, CHF 1.3 million (CHF 0.9 million in 2020) in more than 5 years.

Payments deriving from operating leases fall due as follows: CHF 0.8 million (CHF 0.5 million in 2020) within 1 year, CHF 1.0 million (CHF 0.9 million in 2020) within 2 to 5 years.

36. FINANCIAL INSTRUMENTS

Market values are calculated on the basis of individual valuations of the outstanding instruments at the balance sheet date. On the balance sheet dates (December 31, 2021 and 2020), no financial instruments existed to limit financial risks.

37. TRANSACTIONS WITH RELATED PARTIES

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

- the pension fund of Adval Tech Holding AG
- Artemis Holding AG, Hergiswil, and its Group companies
- Franke Holding AG, Aarburg, and the companies of the Franke Group
- 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
- Grapha Holding AG, Hergiswil, and Rudolf B. Müller
- Hansruedi Bienz, Oberbottigen

In the financial year 2021, material was purchased from related parties for CHF 0.06 million. As at December 31, 2021, there were liabilities to related parties of CHF 0.006 million arising from these transactions. In the previous year, neither revenue nor expenses with related parties had to be recognized, nor were there any receivables or liabilities with related parties as at December 31, 2020.

38. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred since the balance sheet date that would detract from the information value of the consolidated financial statements as of December 31, 2021.

The further development of the Corona pandemic and supply bottlenecks for certain materials have an impact on business in 2022. Furthermore, due to the armed conflict in Ukraine, an impact on supply chains and demand in the sales markets is to be expected.

It is currently not possible to estimate the economic impact on the Adval Tech Group in 2022 to be estimated. The Adval Tech Group's priority is to protect its employees and maintain its ability to deliver and its liquidity.

39. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were released on March 24, 2022 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.

Deloitte.

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Statutory Auditor's Report

To the General Meeting of
ADVAL TECH HOLDING AG, NIEDERWANGEN BEI BERN

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements (pages 66 – 100) of Adval Tech Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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, as well as the IESBA Code of Ethics for Professional Accountants, 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

Key audit matters	Revenue recognition
Materiality	CHF 1'100'000
Scoping	<ul style="list-style-type: none"> - 77.8% of revenue - 73.4% of total assets

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Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be CHF 1'100'000. Further, we agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 55'000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We have therefore set this so-called non-take-up limit at 5% of the Group's materiality. Nevertheless, we will report uncorrected or corrected errors below this threshold if we consider them to be qualitatively material.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work for 4 group companies in 4 countries. These were subject to a full audit.

These 4 group companies in 4 countries represent the principal business units and account for 57.4% of the group's revenue and 55.3% of the group's net assets. In addition, we conducted a Specific Scope audit for 8 Group companies in 6 countries. These 8 Group companies account for 20.4% of sales and 18.1% of total assets in the consolidated financial statements. In total, our full and specific scope audits cover 77.8% of sales and 73.4% of the balance sheet total of the consolidated financial statements.

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.

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Revenue recognition

Key audit matter

The Adval Tech Group generates sales from various subdivisions as defined in Note 1.18 (Recognition of income), 23 (Net sales) and 8 (Inventories and work in progress) in the notes to the consolidated financial statements for 2021. The two main areas of sales are income from volume components supplied to third parties (sales of volume production / components and subassemblies) of CHF 116.6 million in the 2021 financial year and income from tooling sales (sales of production and trading tools / tool and systems manufacturing) of CHF 19.4 million in the 2021 financial year.

Sales of the Adval Tech Group consist to a material extent of income from long-term manufacturing contracts. The recognition of sales and profits from these long-term manufacturing contracts depends to a large extent on estimates and assumptions made by management with regard to determining the stage of completion in relation to the expenses incurred.

We consider the recognition of revenue from long-term construction contracts to be a particularly important audit issue due to the risk that revenue recognition is correct, depending on the stage of completion, by applying the percentage-of-Completion (PoC) principles does not correspond to the actual stage of completion and the planned future revenue.

How the scope of our audit responded to the key audit matter

We have performed the following audit procedures for the audit of sales from long-term construction contracts:

- Assessment of the consistent application of the principles of revenue recognition according to the PoC method.
- Examination of relevant controls for determining project progress of existence and implementation.
- Checks of individual projects concerning:
 - Compliance with the contractually stipulated progress and acceptance agreements by reviewing the contracts.
 - Assessment of the main assumptions made by the project managers and the management with regard to project progress, degree of completion and forecast of future project progress regarding outstanding expenses / income.
- Retrograde analysis of completed projects to assess the reliability of management's estimates.
- Assessment of the recoverability of receivables associated with construction contracts by means of payment receipts after the balance sheet date or discussion with management.

Based on the above-mentioned audit procedures performed, we have obtained sufficient assurance to the risk of accuracy of PoC revenue recognition.

Responsibility 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.

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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 either intends 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, ISA 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

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.

Deloitte AG

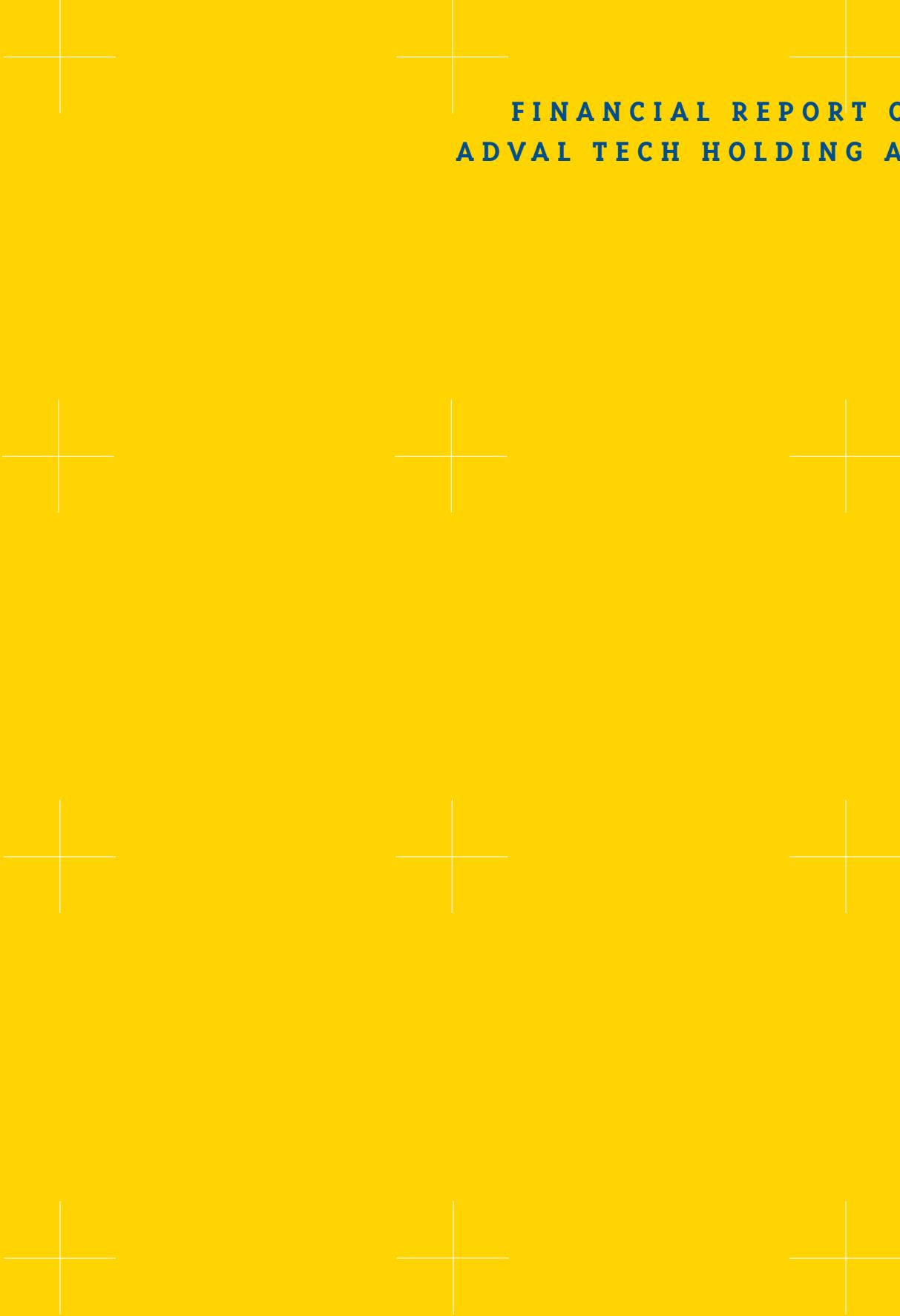


Christophe Aebi
Licensed Audit Expert
Auditor in Charge



Thomas Dettwiler
Licensed Audit Expert

Zurich, 24 March 2022



**FINANCIAL REPORT OF
ADVAL TECH HOLDING AG**

FINANCIAL REPORT OF ADVAL TECH HOLDING AG

1. BALANCE SHEET

CHF	Notes	12/31/2021	12/31/2020
Current assets			
Liquid assets		11,794,520	2,190,169
Trade accounts receivable		577,964	533,734
– from third parties		0	120,780
– from Group companies	2.1	577,964	412,954
Prepaid expenses and accrued income		11,943	37,187
Total current assets		12,384,427	2,761,090
Fixed assets			
Long-term receivables from Group companies	2.2	50,030,831	50,982,860
Investments in Group companies	2.3	69,782,031	90,792,466
Total fixed assets		119,812,862	141,775,326
Total assets		132,197,289	144,536,416
Short-term liabilities			
Trade accounts payable		16,607	8,619
– to third parties		16,607	8,619
Short-term interest-bearing liabilities		11,014,135	339,695
– to third parties		14,135	0
– to Group companies	2.4	11,000,000	339,695
Other liabilities		230,743	184,000
– to third parties		0	0
– to Group companies	2.5	230,743	184,000
Prepaid income and accrued expenses		88,375	101,213
Current provisions		380,000	419,397
Total short-term liabilities		11,729,860	1,052,924
Long-term liabilities			
Long-term interest-bearing liabilities		534,000	513,000
Total long-term liabilities		534,000	513,000
Total liabilities		12,263,860	1,565,924
Shareholders' equity			
Share capital		14,600,000	14,600,000
Legal capital reserves	2.6	59,573,058	60,047,365
Legal retained earnings		9,517,000	9,517,000
– General legal retained earnings		9,500,000	9,500,000
– Reserve for treasury shares		17,000	17,000
Voluntary retained earnings		11,267,610	11,267,611
Profit carried forward		47,027,453	44,593,247
Loss/profit for the year		-22,051,692	2,945,269
Total shareholders' equity		119,933,429	142,970,492
Total liabilities and shareholders' equity		132,197,289	144,536,416

2. INCOME STATEMENT

CHF	Notes	2021	2020
Income from equity interests	2.7	8,130,197	15,417,054
Other income		25,386	17,820
Other operating expenses	2.8	-1,183,544	-1,164,388
Amortization/depreciation and impairment losses on non-current assets	2.9	-26,572,817	-10,228,203
Financial income	2.10	100,503	71,241
Financial expenses	2.11	-2,590,814	-1,168,255
Operating result before taxes		-22,091,089	2,945,269
Extraordinary, non-recurring or prior period income	2.12	39,397	0
Extraordinary, non-recurring or prior period expenses	2.12	0	0
Result for the year before taxes		-22,051,692	2,945,269
Direct taxes		0	0
Loss/profit for the year		-22,051,692	2,945,269

NOTES TO THE FINANCIAL STATEMENTS 2021

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	12/31/2021	12/31/2020
Adval Tech Management AG, Niederwangen, Switzerland	29,839	0
Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil	208,079	71,242
Adval Tech (Hungary) Kft., Szekszárd, Hungary	6,507	9,819
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	24,549	26,452
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico	65,586	52,556
Adval Tech (Grenchen) AG, Grenchen, Switzerland	0	1,947
Adval Tech Holding (Germany) GmbH & Co. KG, Endingen, Germany	240	279
Adval Tech Holding (Germany) GmbH, Endingen, Germany	1,285	247,767
Adval Tech Holdings (Asia) Pte. Ltd, Singapur	241,879	2,892
Total Group companies	577,964	412,954

2.2 Long-term receivables from Group companies

CHF	12/31/2021	12/31/2020
Adval Tech Management AG, Niederwangen, Switzerland (subordinated)	1,300,000	0
Adval Tech (Hungary) Kft., Szekszárd, Hungary	1,626,080	2,841,842
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico	0	1,713,343
Adval Tech Holding (Germany) GmbH, Endingen, Germany	46,875,968	46,295,249
Adval Tech Holdings (Asia) Pte. Ltd, Singapur	228,783	132,426
Total Group companies	50,030,831	50,982,860

2.3 Investments in Group companies

Company		Share capital	12/31/2021		Share capital	12/31/2020		12/31/2021 Book value	12/31/2020 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%	100,000	100%	100%	100%	0	0
Management of equity interests									
Adval Tech Immobilien AG, in liquidation, Niederwangen, Switzerland	CHF	100,000	100%	100,000	100%	100%	100%	100,000	100,000
Holding and management of properties									
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	CHF	3,050,000	100%	3,050,000	100%	17,650,000	17,650,000		
Stamping and forming technology									
Adval Tech US Inc., Cleveland, USA	USD	1	100%	1	100%	0	0	0	0
Stamping and forming technology									
Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil ¹⁾	BRL	2,509,873	100%	2,509,873	100%	0	0	0	0
	USD	360,000		360,000					
Stamping and forming technology									
Adval Tech (Hungary) Kft., Szekszárd, Hungary	EUR	990,000	100%	990,000	100%	17,629,861	31,417,790		
Plastic components									
Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary	EUR	13,000	100%	12,000	100%	2,209,920	0	0	
Stamping and forming technology									
Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico ¹⁾	MXN	50,000	100%	50,000	100%	0	0	0	0
Plastic components									
Adval Tech (Grenchen) AG, Grenchen, Switzerland	CHF	2,000,000	100%	2,000,000	100%	10,436,257	10,436,257		
Plastic components									
Adval Tech Holdings (Asia) Pte. Ltd, Singapore	USD	2,266,500	100%	2,266,500	100%	21,755,993	22,990,919		
Holdings in companies									
<i>Adval Tech (Suzhou) Co. Ltd, Suzhou, China</i>	USD	10,060,000	100%	10,060,000	100%	3,900,000	3,500,000		
<i>Plastic components</i>									
<i>Adval Tech (Malaysia) Sdn. Bhd, Johor Bahru, Malaysia</i>	USD	505,000	100%	505,000	100%	6,000,000	6,000,000		
<i>Plastic components</i>									
<i>Omni Plastics (Shanghai) Co. Ltd, Shanghai, China</i>	USD	1,100,000	100%	1,100,000	100%	42,000	32,000		
<i>Trading</i>									
<i>Omni Engineering (Shanghai) Co. Ltd, Shanghai, China</i>	USD	2,800,000	100%	2,800,000	100%	0	0		
<i>Trading</i>									
Adval Tech Holding (Germany) GmbH, Endingen, Germany	EUR	25,000	100%	25,000	100%	0	8,197,500		
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%	18,948,060	16,948,060		
<i>Tools and metal components</i>									
<i>Adval Tech (Germany) Verwaltungs GmbH, Endingen, Germany</i>	EUR	51,000	100%	51,000	100%	0	122,077		
<i>Unlimited liability partner of Adval Tech (Germany) GmbH & Co. KG</i>									
Total equity interests						69,782,031	90,792,466		

Indirect investment holdings are printed in italics.

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

There were no changes in the scope of consolidation in the year under review.

2.4 Short-term interest-bearing liabilities

CHF	12/31/2021	12/31/2020
Adval Tech Immobilien AG, in liquidation, Niederwangen, Switzerland	0	150,000
Adval Tech (Switzerland) AG, Niederwangen, Switzerland	4,700,000	189,695
Adval Tech (Grenchen) AG, Switzerland	6,300,000	0
Total short-term interest-bearing liabilities	11,000,000	339,695

2.5 Other liabilities – to Group companies

CHF	12/31/2021	12/31/2020
Adval Tech Management AG, Niederwangen, Switzerland	0	88,918
Adval Tech Immobilien AG, in liquidation, Niederwangen, Switzerland	175,835	0
Adval Tech US Inc., Cleveland, USA	54,908	95,082
Total other liabilities - to Group companies	270,743	184,000

2.6 Legal capital reserves

This item consists of the shareholders' capital contributions.

2.7 Income from Group equity interests

CHF	12/31/2021	12/31/2020
Income from equity interests	502,554	6,010,047
Loan interest income	1,517,987	1,605,137
Corporate service fees	321,656	311,000
Brand license fees	1,788,000	1,428,000
Dividend income	4,000,000	6,062,870
Total income from equity interests	8,130,197	15,417,054

2.8 Other operating expenses

CHF	2021	2020
Property insurance and fees	-27,672	-17,353
Office and administrative expenses	-1,075,744	-1,113,462
Sales and distribution expenses	0	0
Other expenses	-80,128	-33,573
Total other operating expenses	-1,183,544	-1,164,388

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

CHF	2021	2020
Impairment losses on equity interests	-23,220,355	-4,978,601
Impairment losses on loans	-3,352,462	-5,249,602
Total amortization/depreciation and impairment losses on non-current assets	-26,572,817	-10,228,203

2.10 Financial income

CHF	2021	2020
Financial income from third parties	36,087	9,484
Foreign currency gains/losses, Group companies	64,416	61,757
Total financial income	100,503	71,241

2.11 Financial expenses

CHF	2021	2020
Bank interest expense	-41,047	-13,001
Foreign withholding taxes	-99,491	-50,211
Bank fees	-2,209	-2,049
Other financial expenses	-64,804	-63,221
Foreign currency gains/losses, third parties	-73,306	-256,526
Loan interest expense, Group companies	-29,253	-46,243
Foreign currency gains/losses, Group companies	-2,280,704	-737,004
Total financial expenses	-2,590,814	-1,168,255

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

The extraordinary income reported in the previous year is primarily related to costs from the sale of investments in previous years.

3. MISCELLANEOUS DISCLOSURES

Full-time employees

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

Treasury shares including interests in subsidiaries (book values)

	Number in 2021	Value in 2021, CHF	Number in 2020	Value in 2020, CHF
January 1	96	17,000	96	17,000
Purchase (details)	0	0	0	0
Sale (details)	0	0	0	0
December 31	96	17,000	96	17,000

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

Participation rights of Board of Directors and Executive Management

No registered shares were allotted to the management in 2021 or 2020. No share allotment was made on the basis of the compensation payments approved by the Annual General Meeting.

Sureties to third parties

CHF	12/31/2021	12/31/2020
Guarantees	518,159	5,533,556

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, 2021, 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)	12/31/2021	12/31/2020
Dr. h.c. Willy Michel ^{* 4)}	28,9%	28,9%
Artemis Beteiligungen I AG, Hergiswil ^{1) 5)}	21,5%	21,5%
Grapha Holding AG, Hergiswil ³⁾	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, Muri b. Bern, Switzerland; Rudolf Dreier, Altendorf, Switzerland
 - 4) represented in the Board of Directors by Mr Jürg Schori
 - 5) represented in the Board of Directors by Mr Christian Mäder
- * Effective amount of holding as at December 31, 2021 and December 31, 2020.

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

As at December 31, 2021 and as at December 31, 2020, 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	2021	2020
René Rothen Chairman of the Board and CEO	1,540	1,540
Hans Dreier Member of the Board of Directors	13,450	13,450
Christian Mäder Member of the Board of Directors	-	-
Jürg Schori Member of the Board of Directors	503	503
Valeria Poretti Head Corporate HR/Communication	754	754
Markus Reber CFO	711	711

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

CHF	2021	2020
Retained earnings carried forward		
Retained earnings at the beginning of the financial year	47,027,516	44,593,247
Appropriation of profit according to the resolution of the General Meeting		
– Transfer capital reserves	0	0
– Loss/profit for the year	-22,051,692	2,945,269
Retained earnings at the disposal of the General Meeting	24,975,824	47,538,516

Capital contribution reserves carried forward		
Legal capital reserves at the beginning of the financial year	59,572,865	60,047,365
Board of Directors' proposal to the General Meeting		
– Transfer to profit carried forward	-729,841	-474,500
– Transfer to voluntary retained earnings	130	0
Legal capital reserves to be carried forward	58,843,154	59,572,865

CHF	2021 Board of Directors' proposal	2020 General Meeting resolution
Board of Directors' proposal regarding appropriation of retained earnings		
Retained earnings at the disposal of the General Meeting	24,975,824	47,538,516
Transfer from the capital reserve	729,841	474,500
- Distribution to shareholders from capital reserve ¹⁾	-729,904	-474,500
Distribution to shareholders from retained earnings ¹⁾	-729,904	-511,000
To be carried forward	24,245,857	47,027,516

1) The amounts are based on the number of shares for distributions as at the reference date December 31, 2021 (previous year: December 31, 2020), and may change as a result of treasury transactions after the reference date.

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Statutory Auditor's Report

To the General Meeting of
ADVAL TECH HOLDING AG, NIEDERWANGEN BEI BERN

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Adval Tech Holding AG (pages 106 – 116), which comprise the balance sheet as at 31 December 2021 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements as at 31 December 2021 comply with Swiss law and the company's 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.

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 judgment, 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.

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Impairment of group assets - Investments and long-term receivables from Group companies

Key audit matter	How the scope of our audit responded to the key audit matter
<p>Adval Tech Holding has significant accounts receivable from other group companies and holds the corresponding participating interests in accordance with notes 2.2 (Long-term receivables from group companies) and 2.3 (Participating interests) in the notes to the financial statements of Adval Tech Holding Ltd for 2021. The long-term receivables from group companies of the Adval Tech Group amounted to CHF 50 million at the end of 2021. At the end of 2021, investments amounted to CHF 70 million.</p> <p>Management assesses the recoverability of long-term loans and investments as a unit at the level of the defined operating units. In the event of impairment, the investments are written down first and then the long-term loans.</p> <p>We consider the assessment of the recoverability of the Group's assets (investments and long-term receivables from Group companies) to be particularly important due to the discretionary powers of management in the area of discount rates and growth rates used in impairment testing, as well as the significant balance sheet amounts (approximately 91% of total assets).</p>	<p>In order to assess the recoverability of non-current group assets and investments, we have assessed the impairment tests conducted by management for the main companies in the Adval Tech Group as following:</p> <ul style="list-style-type: none">Assessment of the controls related to the process of management's creation of the impairment tests on design and implementation.Comparison of the current results of the respective companies with the corresponding budgets on the 2021 business performance, in order to retrospectively verify the forecast accuracy of the budgets.Critical assessment of the future prospects on the basis of the multiannual plan approved by the Board of Directors through inquiry of the management and analysis of the parameters of the impairment tests.Review of the valuation of non-current receivables from Group companies by assessing positive equity capital.Audit of the most important parameters of the impairment tests (discount rates and long-term growth rates) as well as using sensitivity analyses and assessment of sensitivity of impairment. <p>Based on the above-mentioned audit procedures performed, we have attained sufficient assurance to address the risk of the valuation of non-current loans and investments.</p>

Responsibility 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.

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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 either intends 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.

Reference can be made to an appendix to the auditor's report or to the website of EXPERTsuisse (<http://expertsuisse.ch/en/audit-report-for-public-companies>) where the description of the auditor's responsibilities can be found.

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

Deloitte AG

Christophe Aebi
Licensed Audit Expert
Auditor in Charge

Thomas Dettwiler
Licensed Audit Expert

Zurich, 24 March 2022

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Forward-looking statements

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

The forward-looking statements are pure assumptions, made on the basis of information that is currently available.

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

