

advaltech

A N N U A L R E P O R T 2 0 0 8

ADDING VALUE THROUGH INNOVATION



SHARE STATISTICS AND PRICE TRENDS

Share statistics

Ticker symbols:

Swiss security no. 896 792

Telekurs ADVN

Bloomberg ADVN SW

		2008	2007
	Registered shares	730,000	365,000
	EBIT per share (CHF)	-1.76	30.72 ²⁾
	Net result per share (CHF)	-15.30	16.48 ²⁾
	Shareholders' equity per share (CHF)	271.38	256.85 ²⁾
	Dividend per share (CHF)	0.00 ¹⁾	5.08 ²⁾
	Payout ratio (%)	n.a.	30.8
	P/E ratio	n.a.	34.3
	Market prices (CHF)		
	Low (12/29/08, 1/3/07)	138.20	396.79 ²⁾
	High (1/8/08, 11/7/07)	558.60	580.32 ²⁾
	December 31	142.00	564.72 ²⁾
	Market capitalization (CHF millions)		
	Low (12/29/08, 1/3/07)	100.89	199.66
	High (1/8/08, 11/7/07)	281.05	292.00
	December 31	103.66	284.15

1) Proposed by the Board of Directors

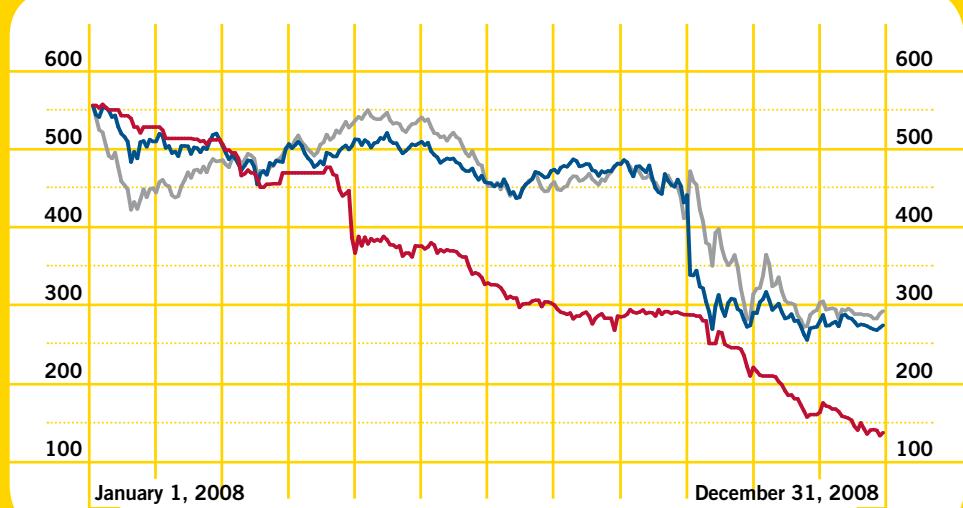
2) adjusted

Price trends

January 1, 2008, to

December 31, 2008

(CHF)



- Swiss Performance Index, adjusted
- Price of Adval Tech shares, adjusted
- Swiss Machinery Industry index, adjusted

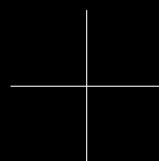
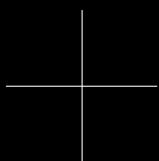
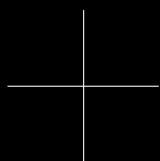
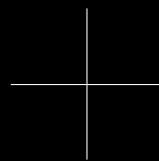
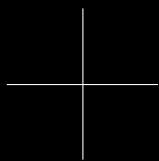
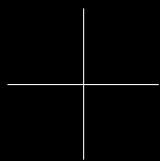
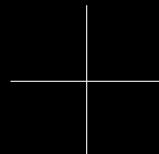
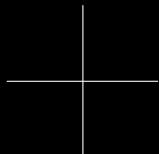
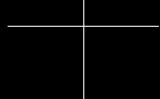
KEY FIGURES OF THE ADVAL TECH GROUP

	2008	2007	2006	2005	2004 ¹⁾
Total income (CHF millions)					
Group	416.5	348.6	275.8	251.9	262.9
change in %	+19.5	+26.4	+9.5	-4.2	+9.1
per employee (CHF thousands)	136.3	273.0	245.1	224.5	247.0
Stamping and Forming	179.3	182.5	137.4	130.8	115.1
Injection Molding	237.3	166.1	138.5	121.2	149.0
EBITDA (CHF millions)					
Operating earnings before depreciation	26.3	38.4	29.1	27.7	42.6
in % of total income	6.3	11.0	10.6	11.0	16.2
Stamping and Forming	14.2	17.4	16.6	14.8	14.6
Injection Molding	10.7	19.5	11.7	12.5	27.1
EBIT (CHF millions)					
Operating earnings	-1.3	15.5	7.3	5.1	20.2
in % of total income	-0.3	4.4	2.6	2.0	7.7
Stamping and Forming	5.6	7.5	6.6	3.0	2.7
Injection Molding	-7.6	6.9	0.5	1.9	16.8
Net result (CHF millions)					
Net result for the year	-9.2	8.3	4.0	3.8	13.3
in % of total income	-2.2	2.4	1.4	1.5	5.1
Cash flow and capital expenditure (CHF millions)					
Cash flow from operations	19.9	18.5	29.8	32.8	14.4
Operative free cash flow	0.4	-3.6	15.9	12.0	3.4
Free cash flow	-58.5	-11.8	15.6	6.6	3.9
Capital expenditure	26.1	22.6	14.0	20.6	12.4
Balance sheet figures (CHF millions)					
Total assets	409.8	327.4	291.6	276.4	266.0
Shareholders' equity	198.1	129.2	122.3	122.5	120.6
in % of total assets	48.3	39.5	41.9	44.3	45.3
Employees					
on December 31	2,838	1,379	1,121	1,129	1,108
Stamping and Forming	805	805	553	553	553
Injection Molding	2,023	563	558	570	548
Market capitalization (CHF millions)					
on December 31	103.7	284.2	196.7	187.6	211.7
Selected key figures per share					
Earnings (CHF)	-15.30	16.48 ³⁾	7.91 ³⁾	7.63 ³⁾	27.01 ³⁾
Dividend (CHF)	0.00 ²⁾	5.08 ³⁾	4.35 ³⁾	10.16 ³⁾	10.16 ³⁾
Payout ratio (%)	n.a.	30.8	55.0	133.1	37.6
P/E ratio on December 31	n.a.	34.3	49.4	48.9	15.6

1) IFRS restated

3) adjusted

2) Proposed by the Board of Directors



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The global slump on the automotive market created considerable problems for the future Automotive Segment.

While Adval Tech succeeded in increasing sales of medical technology components, it suffered setbacks in the moldmaking business.



DEAR SHAREHOLDERS:

Following the acquisition-driven growth of the Adval Tech Group with the takeovers of QSCH Kft. in 2007 and the Omni Group at the beginning of 2008, we set ourselves two basic goals for the year under review: organic growth and improved operating results. We failed to achieve either of these targets. This was due on the one hand to the structurally related slump in the market for molds used to manufacture optical discs, and the global financial crisis and its impact on the real economy on the other. When the semi-annual results were published at the end of August the massive market downturns in the automotive and consumer goods industries were still not foreseeable.

Our results were also adversely affected by the wide fluctuations in exchange rates and non-recurring expenditure of CHF 2 million in connection with bridging loans for the acquisition of the Omni Group. With our annual results for 2008 we therefore have to report a setback on the road to our medium-term profit goals.

The group's total income of CHF 416.5 million was CHF 68 million (20%) higher than the previous year's figure. However, operating earnings before depreciation, interest and taxes (EBITDA) of CHF 26.3 million were 31% lower than the outcome in 2007 (CHF 38.4 million). Thereby, the 2008 financial year closed with an operating loss (EBIT) of CHF -1.3 million (2007: CHF 15.5 million). Net result was also negative (CHF -9.2 million), compared with a positive figure of CHF 8.3 million in the previous year. However, operative free cash flow was positive (CHF 0.4 million).

In the consumer goods market we already became aware of the impact of the financial market crisis before mid-year – on components for home electronics and subassemblies for point-of-sale devices used for payment transactions by US customers. This trend became more pronounced, especially in the fourth quarter. The automotive market collapsed with unprecedented velocity as of the end of September,

after which our customers corrected their sales forecasts downward week by week. The OEMs (Original Equipment Manufacturers) reacted by reducing inventories and interrupting production. Meanwhile, the global volume of the market for molds used to manufacture optical discs continued to decline by some 50% in the year under review.

We took various steps in response to these exceptional market developments: in addition to restructuring with an unavoidable reduction in the workforce at the moldmaking facility in Muri (optical discs), all organizational units in the group imposed a hiring freeze. Overtime balances were also compensated and outstanding vacation entitlements reduced. The workforces at the sites in China and Hungary alone were reduced by a total of some 290. Employee numbers were reduced by 494 to 2,838 full-time units overall between the end of June 2008 and year-end. We have since also introduced short-time working in certain plants. Systematic cost savings and a capital spending freeze are in force throughout the group. Exceptions to this are strategically important projects, innovation projects, marketing activities and education.

Segment results

The *Stamping and Forming Segment* (Styner+Bienz, QSCH) was still on track up to the end of September 2008 – with higher total income and improved operating earnings (EBIT) compared with the same period of the previous year. Then came the slump in the automotive component supply industry, by far the largest target market served by the segment, which had an immediate impact on results. Sales of subassemblies for coffee machines in professional use also plunged; a major customer had massively reduced its expansion plans in response to the economic uncertainty. The action initiated immediately to adjust structures was unable to offset the slump in sales. Total income of CHF 179.3 million for 2008 was at much the same level as the previous year (CHF 182.5 million), but operating earnings (EBIT) declined from CHF 7.5 million to CHF 5.6

million. Transfers of production in connection with the closure of the Wolfwil plant in Switzerland also depressed annual results.

Total income of CHF 237.3 million at the *Injection Molding Segment* (AWM, Foboha, Omni, Teuscher) exceeded the previous year's figure (CHF 166.1 million) by 43%. CHF 102.2 million of this total was contributed by the Omni Group, which was acquired at the beginning of 2008. Compared with the previous year, therefore, the segment's total income was CHF 31.0 million lower after adjustment for this acquisition. This reduction was mainly attributable to the further drastic slump in the market for molds used to manufacture optical discs and to cancelations and postponements of moldmaking orders for the consumer goods industry. The segment's sales of components for the automotive industry and medical technology applications increased in line with expectations.

Following the distinct improvement in results in the previous year and despite a positive EBIT contribution by the recently acquired Omni Group, the segment still posted a negative EBIT figure of CHF 7.6 million (positive EBIT of CHF 6.9 million in the previous year). This unsatisfactory outcome was caused mainly by our moldmaking unit in Muri. With the downsizing of operations in line with market conditions and efficiency improvements we are seeking to achieve a turnaround at the moldmaking unit in Muri within the next 18 months.

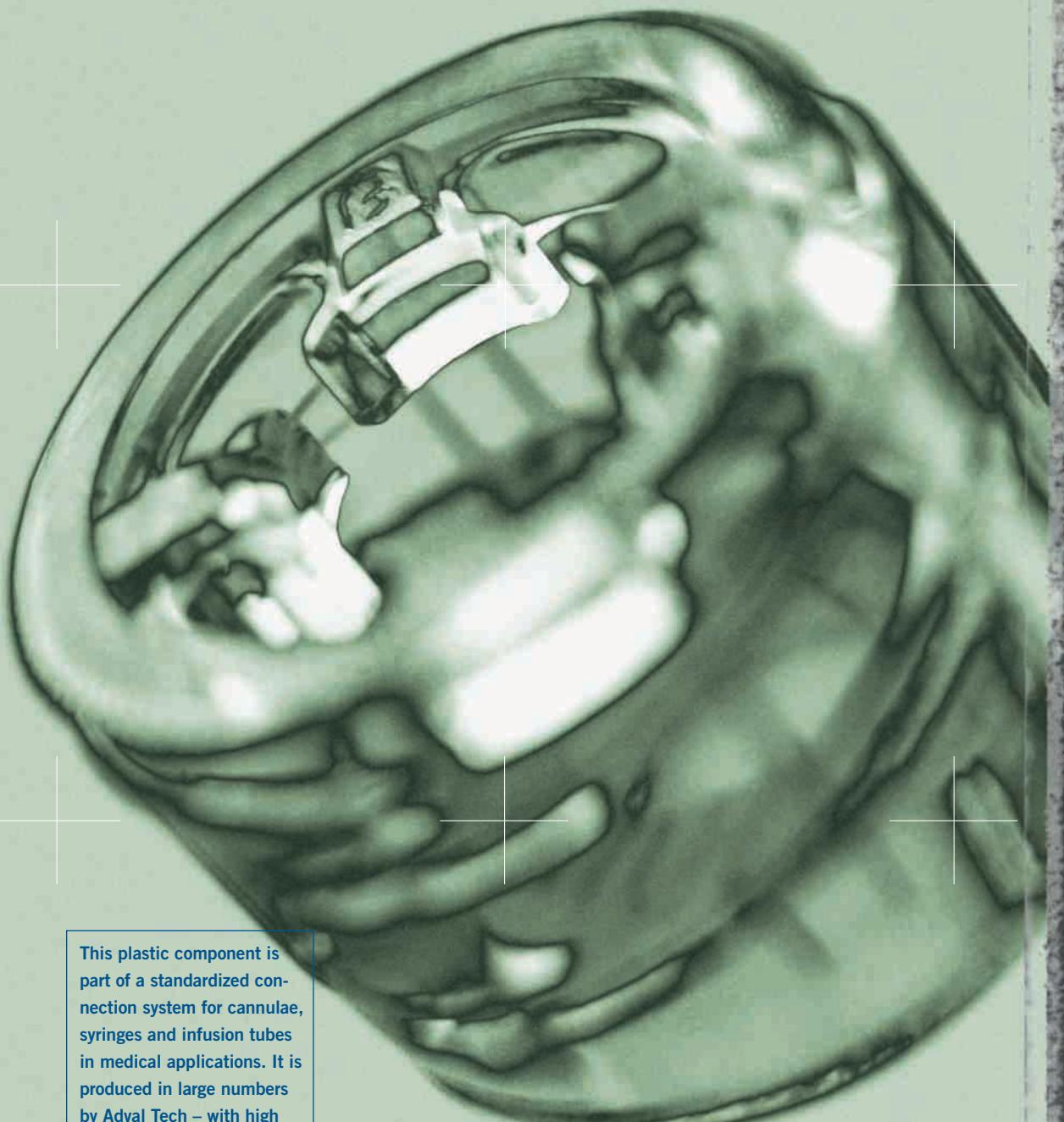
Strategy implementation

By completing the acquisition of Omni Industries Pte. Ltd in January 2008 we achieved a major strategic objective sooner than expected: a global presence with our own distribution organizations and manufacturing plants in Europe, Asia and America, which is so important for our large, strategic customers. We had already secured a manufacturing location in Eastern Europe in 2007, with the acquisition of QSCH Kft.

While the traditional member companies of our group primarily manufacture components for the automotive, medical and pharmaceutical industries, the emphasis at Omni is on plastic components for leading companies in the consumer goods industry. To date we have sold our products mainly in Europe; with Omni we also have a presence on the Asian and North American markets. Furthermore, Omni's plants are also intended to serve as a platform for the manufacture of stamped and formed components in Asia and Mexico in future. The integration of the Omni Group is proceeding as planned, even in the currently unfavorable economic situation. The response of our target customers is entirely positive. Our global platform corresponds in most cases to their location strategies as regards production and logistics. We have therefore already acquired global projects in the automotive and medical technology markets which will have a positive impact on our sales and earnings in one or two years.

In order to safeguard our sound capital basis following the acquisition of Omni, we effected an increase in share capital at the end of April 2008 to replace the bridging loans raised to make this acquisition. The willingness of our two principal shareholders, Willy Michel and Michael Pieper (via his Artemis investment company), to participate in the bridging finance and the increase in share capital in proportion to their shareholdings was an important prerequisite for the success of this transaction. The Adval Tech Group received total gross proceeds of some CHF 100 million from this increase in share capital. We are thus financing the acquisition of the Omni Group with internally generated funds, i.e. without additional borrowing. We wish to thank all shareholders – especially the founding families – for their ongoing commitment to the business.

As a next step and in connection with the integration of the Omni Group we will adapt our organization to the group's strategic thrust with its three main markets – automotive, medical and consumer goods. Two new corporate segments will be formed: the Automotive Segment serving the



This plastic component is part of a standardized connection system for cannulae, syringes and infusion tubes in medical applications. It is produced in large numbers by Adval Tech – with high dimensional stability and accuracy.



WALTER GRÜEBLER

CHAIRMAN OF THE BOARD



JEAN-CLAUDE PHILIPONA

CHIEF EXECUTIVE OFFICER

automotive component supply market, and the Medical & Consumer Goods Segment for the medical technology and consumer goods markets. The Automotive Segment will focus exclusively on the component supply business. All our activities for the automotive industry will be concentrated here, regardless of whether metal, plastic or composite components are manufactured. Our activities on the medical technology and consumer goods markets focus exclusively on plastics processing. They will be combined in the Medical & Consumer Goods Segment, consisting of the Consumer Goods (components), Medical (components) and Molding Technology (moldmaking) divisions. We will implement these organizational changes during the first half of 2009. Financial reporting in compliance with IFRS will commence with the 2009 financial year, following reorganization into the new segments, with a corresponding restatement for 2008. Reporting on our activities in the various markets (pp. 13–23) in this annual report already reflects the new structures.

Outlook

It is difficult to assess how the global financial crisis and its impact on the real economy will continue to develop. In any event, 2009 will be a difficult year for the Adval Tech Group. We will adapt our struc-

tures to market conditions systematically, rapidly and flexibly. At the same time we will continue the resolute pursuit of our marketing and innovation activities with a view to securing our future. We aim to emerge strengthened from the crisis on the basis of our group's global thrust and its focus on selected sectors in the automotive, medical technology and consumer goods markets.

Our objectives are unattainable without motivated employees working passionately toward the implementation of our strategy. Maintaining this high level of commitment, even in uncertain times with workforce reductions and short-time working, cannot be taken for granted. We want to express our heartfelt thanks for the tremendous efforts made by our personnel in the past financial year. We also wish to thank our business partners for the close and purposeful cooperative relationships we have maintained, despite the crisis, and you, our valued shareholders, for your staying power and the confidence you show in us through your financial commitment.

Niederwangen, March 2009

Walter Grüebler, Chairman of the Board

Jean-Claude Philipona, Chief Executive Officer

ADDING VALUE THROUGH INNOVATION

Vision

To be the partner of choice for high-volume components in metal and plastic manufactured with unique, innovative technology solutions.

To make this vision come true, we will

- carefully select our customers from the automotive, medical and consumer goods markets to support our growth as a leading global supplier;
- be a “one-stop shop” for high-volume metal stamping and forming, plastic injection molding and the combination of both technologies;
- eliminate process inefficiencies and deliver performance through innovative in-tool assembly and automation;
- work together as one team, creating profitable growth.

We are not just another company but a place where you can belong, innovate, develop yourself, enjoy success and have fun.

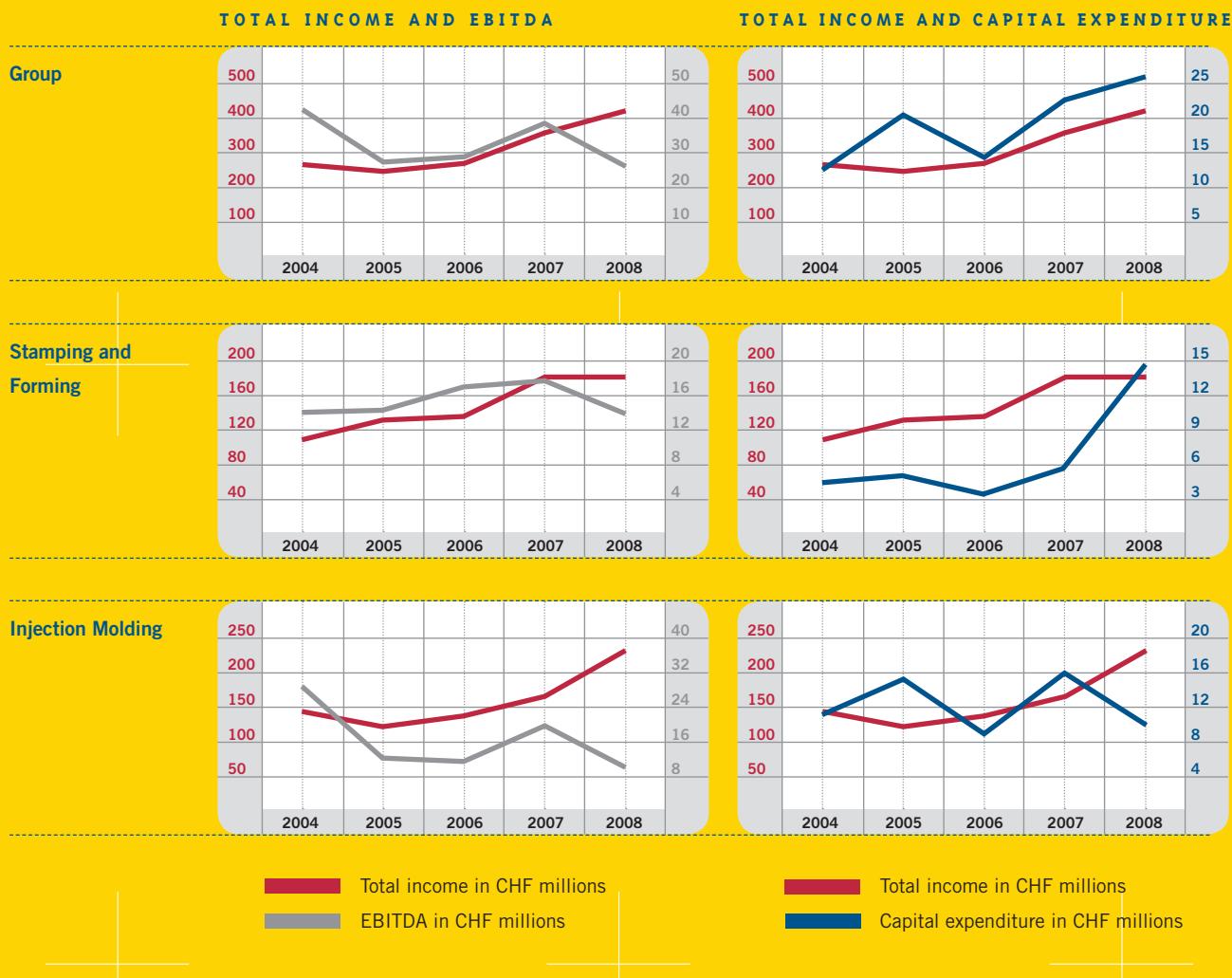
With us you can grow!

Mission

Adding value through innovation

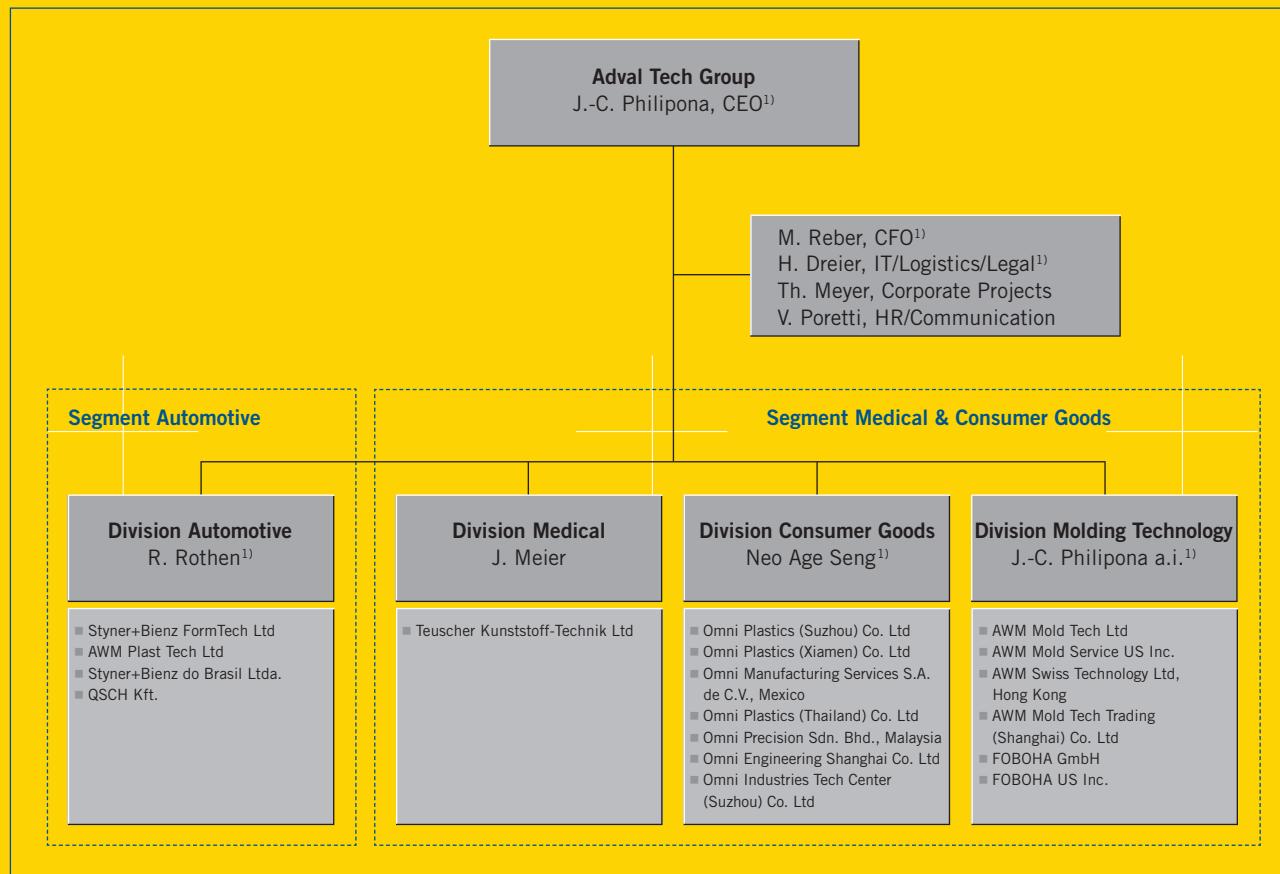
- We are a global technology and process partner. Focused on complementary technologies of metal stamping and forming and plastic injection molding we combine technologies into customer solutions, partnering where necessary with our supply chain.
- On-time, on-quality, on-cost! We create value with components, subassemblies and systems that leverage our talent in the innovative design and precision engineering of tools and molds. For selected customers we create value with molds of outstanding technology, quality and performance.
- We offer our competencies for selected applications in the automotive, medical and consumer goods markets.
- We consistently perform, delivering Adval Tech quality and reinforcing our commitment to our customers through globally delivered solutions and services.

DEVELOPMENT OF TOTAL INCOME, EBITDA AND CAPITAL EXPENDITURE



In CHF millions	2004	2005	2006	2007	2008
Total income	262.9	251.9	275.8	348.6	416.5
– Stamping and Forming	115.1	130.8	137.4	182.5	179.3
– Injection Molding	149.0	121.2	138.5	166.1	237.3
EBITDA	42.6	27.7	29.1	38.4	26.3
– Stamping and Forming	14.6	14.8	16.6	17.4	14.2
– Injection Molding	27.1	12.5	11.7	19.5	10.7
Capital expenditure	12.4	20.6	14.0	22.6	26.1
– Stamping and Forming	4.5	4.9	3.2	5.9	14.9
– Injection Molding	7.7	15.3	9.7	16.0	10.6

GROUP STRUCTURE



1) Member of the group management

As of April 1, 2009

GROUP MANAGEMENT



JEAN-CLAUDE PHILIPONA

CHIEF EXECUTIVE OFFICER



RENÉ ROTHEN

HEAD OF THE AUTOMOTIVE DIVISION

EXECUTIVE BODIES

Board of Directors

Walter Grüebler, Chairman
Michael Pieper, Vice Chairman
Leonardo Attanasio
Hans Dreier
Willy Michel
Josef Reissner
Roland Waibel

Audit Committee: Roland Waibel, Hans Dreier

Nominations and Compensation Committee: Walter Grüebler, Michael Pieper

Group Management

Jean-Claude Philipona, Chief Executive Officer
René Rothen, Head of the Automotive Division
Neo Age Seng, Head of the Consumer Goods Division
Hans Dreier, Head of IT/Logistics/Legal
Markus Reber, Chief Financial Officer

Statutory Auditors

PricewaterhouseCoopers Ltd Bern



NEO AGE SENG

HEAD OF THE CONSUMER GOODS
DIVISION



HANS DREIER

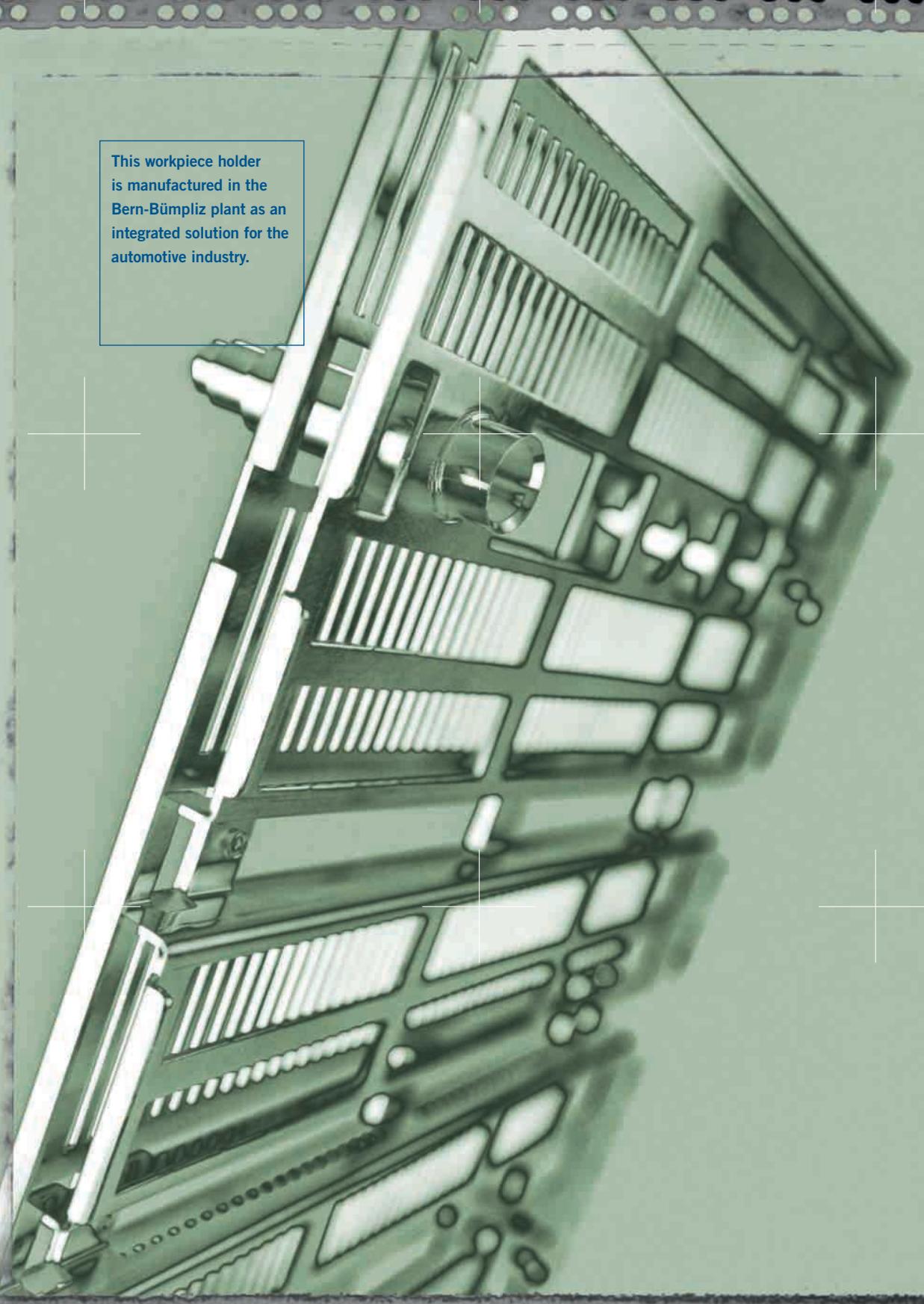
HEAD OF IT/LOGISTICS/LEGAL



MARKUS REBER

CHIEF FINANCIAL OFFICER

This workpiece holder
is manufactured in the
Bern-Bümpliz plant as an
integrated solution for the
automotive industry.



FROM BOOM TO RECESSION

Adval Tech is one of the world's leading manufacturers of components, subassemblies and subsystems in selected market sectors and for specialized applications in the automotive component supply industry. In this context the group combines innovative solutions with the latest application technologies in the fields of stamping and forming (Styner+Bienz and QSCH) and injection molding (AWM). The global slump on the automotive market in the final three months of the year under review created considerable problems for the future Automotive Segment.

The future Automotive Segment's target markets continued to operate in a booming business environment until September 2008. Raw materials such as steel became scarce, for example. Up to this point, sales and earnings were well above the previous year's level. The market then plunged with unprecedented velocity at the end of September. Customers of the automotive component supply industry reacted by reducing inventories and output, and interrupting production. The Adval Tech Group responded quickly to this situation and took appropriate action. For example, it saw no alternative to introducing short-time working at the Styner+Bienz plants in Switzerland, reducing the workforce in Hungary and Brazil, and launching a cost-cutting program and imposing a capital investment freeze throughout the segment.

Systematic globalization

Independently of this, the Adval Tech Group has continued to consolidate its strategic thrust on the automotive component supply market by focusing on a small number of applications and customers, and through systematic globalization. Omni's manufacturing facilities in China now provide Adval Tech with a platform that opens up completely new opportunities for the group on the Asian market. Existing customers appreciate its presence with its own manufacturing plants in all major markets in Europe, Asia and America as an expansion of the scope of its services. Adval Tech has continued its examination of various options for a manufactur-

ing site in the USA in order to prepare for its customers' localization strategies. The group intends to establish a production platform with a wholly owned organizational unit, but in cooperation with a strategic partner in the industry. In this way Adval Tech can minimize capital expenditure and the risks involved in taking this important step.

In the year under review, Adval Tech succeeded in expanding its market share for metal components in the various market sectors and also in acquiring orders for additional applications from existing customers. The segment also gained two new customers in the area of seat mounting systems.

Entering the plastic components market with OEMs

In the plastic components business, Adval Tech laid the foundations for acquiring additional orders from the automotive industry by obtaining certification of the AWM plant in Merenschwand for compliance with ISO/TS 16949 (product development) and ISO 14001 (environment). Entry into the market for plastic components with OEMs (Original Equipment Manufacturers) was achieved in the year under review with innovative concepts for air and water separation systems. The first order will go into production in April 2009 at the Merenschwand plant. Further orders are likely to have an impact on sales on a global basis as of 2010.

Adval Tech's marketing approach focuses primarily on direct selling and corresponding key account management. Key customers are served by interdisciplinary teams which not only ensure the quality of the products and services, but also make their customers aware of the technological potential of product developments and are able to develop new application opportunities – regardless of whether these are solutions using metal or plastic components.

Customer satisfaction

Adval Tech analyzes customer satisfaction at various levels with its own analyses and with information



Adval Tech produces these sealing plugs as volume components for fuel injection systems used in a variety of vehicles.

from its customers' supplier management. Added to this are customer audits, which in some cases are very detailed. However, the decisive criterion for assessing customer satisfaction is and will continue to be new business with existing customers. In the year under review the volume of this business fully confirmed the high quality and the positive development of Adval Tech's products and services.

Shorter lead times through improved simulation

Adval Tech adjusted some of the assignments and production layouts of the individual plants and optimized material and logistics flows in the year under review. Greater responsibility for production efficiency was transferred to management in the local plants in this context. Following the closure of the Styner+Bienz plant in Wolfwil, larger components and subassemblies are now produced in Uetendorf and smaller items in Niederwangen. In the year under review Styner+Bienz further developed a new standard press into a high-performance production system for the Niederwangen plant and thus established a crucial competitive edge with regard to range of applications, technology and production efficiency. Adval Tech successfully pressed on with the "Speed" development project to reduce lead times in order to be able to develop applications of this kind efficiently and guarantee process stability quickly. As a result of powerful and reliable simulation the phases of tool development, tool manufacture and commissioning are now significantly shorter with a high level of process stability.

Outstanding production quality

Logistics processes at the plant in Brazil have been improved significantly; production quality is now excellent. Styner+Bienz do Brasil benefited from the favorable economic trend in Brazil in the year

MARKET SEGMENTS AND SPHERES OF APPLICATION

Stamping and forming (metal components)

- Steering systems
- Braking systems (ABS)
- Lighting systems
- Fuel injection
- Seat mounting systems
- Passenger safety systems (airbags, collision sensors, safety belts, etc.)

Production platforms: Styner+Bienz Niederwangen (Switzerland), Styner+Bienz Uetendorf (Switzerland), QSCH Szekszárd (Hungary), Styner+Bienz Curitiba (Brazil); in the course of implementation for the USA, at the planning stage for the Omni sites in China, Thailand and Mexico.

Injection molding (plastic components)

- Acoustic noise insulation and structural reinforcement elements
- Plastic components for air conditioning systems and lighting
- Fuel tank filler necks, door handles, molded trim elements and cockpit applications
- Engine compartment and underfloor components
- Air/water separation and microfilter systems
- Air deflection and air guidance elements, throttle controls

Production platforms: AWM Merenschwand (Switzerland) and the Omni sites in China, Thailand and Mexico.

The decisive criterion for assessing customer satisfaction is and will continue to be new business with existing customers.

This spring assembly is used to secure the propellant charge in position in a passenger airbag. It is stamped, formed and fully assembled by Adval Tech.



under review, but the setback in the automotive industry toward the end of 2008 was also felt. The transfer of orders from the Wolfwil plant to QSCH in Szekszárd faced the Hungarian plant with major challenges in the first six months of the year. After some initial problems, QSCH now has the relevant production processes well under control, and the new customer base provides Adval Tech with additional market and development opportunities in Hungary. However, the collapse in the market toward the end of 2008 and the outlook for 2009 left the Adval Tech Group no alternative but to reduce the workforce in Hungary and Brazil by a total of 80 in the Automotive Segment.

Short-run production of subassemblies and systems

The business with sheet metal subassemblies and systems manufactured and processed in shorter runs at the Styner+Bienz plant in Bern for various industries is incorporated in the future Automotive Segment in organizational terms. This sector achieved its annual target despite the massive decline toward year-end in its main source of sales revenue – subassemblies for coffee machines in

professional use. In the meantime, Styner+Bienz has developed new sales markets in this sector, for example in the field of intralogistics.

Outlook

The market volume of the automotive component supply industry is expected to contract by up to 40% worldwide in 2009, depending on the source quoted. Adval Tech will therefore have to respond by making flexible adjustments to its structures. The organizational units comprising the future Automotive Segment need to analyze costs in all areas, but without neglecting marketing efforts or abandoning promising innovation projects. Cyclical slumps always entail market shakeouts, and the future Automotive Segment of the Adval Tech Group should emerge stronger from this phase.

ACHIEVING GOALS FASTER THROUGH SIMULATION

The valve sleeve acts as the connecting element between the fuel pipe and the injector in the gasoline engine. Due to the high standards required with regard to strength, dimensional accuracy and surface finish, it is traditionally produced by machining. Thorough, in-depth technological know-how and the latest simulation techniques now enable Adval Tech to manufacture this product efficiently, inexpensively and in faultless quality by means of stamping and forming.





Dispenser for precise
metering and administra-
tion of medication such
as antibiotics or cough
mixture – a typical example
of a one-stop shop solution
by Adval Tech.

GLOBALIZATION STRATEGY DELIVERS INITIAL SUCCESSES

In the future Medical & Consumer Goods Segment, Adval Tech manufactures plastic components for the medical technology and consumer goods industries as well as the injection molds used to produce them. In certain market segments, Adval Tech also manufactures injection molds for third parties. Adval Tech trades on the market under the AWM, Foboha, Omni and Teuscher names. While Adval Tech succeeded in increasing sales of medical technology components as expected in the year under review and expanded total income by CHF 102.2 million through the acquisition of Omni, it suffered setbacks in the moldmaking business. Sales of molds for manufacturing optical discs plunged again by almost 50% and the market for CD packaging came to a complete standstill.

Adval Tech also suffered from delays and cancellations of moldmaking orders in other areas of the consumer goods industry. This was reflected in completely unsatisfactory results. On the other hand, the Adval Tech Group's global focus resulted in initial major acquisition successes.

Medical

The medical technology market continued to grow in 2008 and was barely affected by the global economic downturn. However, distinct signs of a decline in the market are apparent in the USA, where private patients themselves have to pay for therapies and medication.

Adval Tech acquired several additional projects for medical devices from new and existing customers in the year under review. The group exploited the advantage of also being able to handle very complex and extensive projects entirely in-house. For an order of this kind, for example, moldmakers AWM and Foboha produced 15 injection molds within a very short time, and these were then used by Teuscher in Grenchen to manufacture the subassemblies. Adval

Tech significantly expanded its clean room premises at the Grenchen site – its competence center for medical technology in Europe.

Adval Tech's global manufacturing platform with strategic sites for medical technology components in Grenchen (Switzerland), Querétaro (Mexico) and Suzhou (China) is a major advantage for customers in the pharmaceutical industry operating on a global scale. Adval Tech has therefore initiated the manufacture of medical technology components in Mexico with an existing customer, for example. Projects of this kind usually take a considerable time to come into effect. Before a customer gives the go-ahead for global production, the manufacturing processes are comprehensively examined on the basis of a risk analysis. This is followed by extensive audits at all sites. Total process control and customer service are very important.

Customer satisfaction is also at a very high level in the Medical sector. Adval Tech has developed from a classical component supplier to a preferred supplier for complex medical devices. This is particularly important, since pharmaceutical customers are attaching increasing significance to the individuality of the products, i.e., they call for unique systems with an individual design.

Adval Tech currently supplies customers in the Medical sector primarily in Europe, with the emphasis on Germany and France. Adval Tech is already producing for American customers at all three sites (Grenchen, Querétaro and Suzhou).

Adval Tech's main priorities in marketing are direct customer contact and new projects with existing customers. Adval Tech attended the international Medtec trade shows in Stuttgart and China and backed up these appearances with advertisements in trade journals.



Adval Tech supplies this housing for a POS payment unit optionally as separate components or a preassembled module.

Consumer Goods

The Omni Group, acquired at the beginning of 2008, primarily manufactures components for leading companies in the consumer goods industry and is excellently positioned on the Asian and North American markets. High raw material prices, which could not be passed on to customers in full, were a major feature of the first six months of the year. The continued strength of the yuan relative to the US dollar and rising labor costs in China further intensified the pressure on margins. Omni exports some 65% of the components it produces directly or indirectly to the USA. The group therefore already felt the initial effects of the financial crisis before mid-year. It initiated action to adjust capacity correspondingly early. The markets in Malaysia and Thailand, where Omni also operates its own manufacturing facilities, also suffered from the unstable political situation and the resulting restraint of foreign investors in 2008.

Omni succeeded in acquiring a long-term contract to produce very large numbers of ink cartridges for printers at its plant in Xiamen (China) in 2008. A further success for this plant was the award of a project for producing a manual massage device. This order comprises production of the mold as well as the manufacture and assembly of the components. Furthermore, Omni Mexico was awarded an interesting component order for a new series of washing machines.

The very highly qualified DFM (Design For Manufacturability) team plays a major role in Omni's success in the components business. The DFM team cooperates closely with key customers' development teams at a very early stage in the development of new products.

MARKET SEGMENTS AND SPHERES OF APPLICATION

Components business

Consumer goods

- Home electronics
- Household appliances
- Office equipment

Production plants:

Omni Suzhou (China),
Omni Xiamen (China), Omni Rayong (Thailand),
Omni Johor Bahru (Malaysia), Omni Querétaro
(Mexico)

Medical technology

- Medical devices
- Diagnostic systems

Production plants:

Teuscher Grenchen (Switzerland),
Omni Suzhou (China), Omni Querétaro (Mexico)

Moldmaking

High-performance molds for plastic components

- Food packaging
- Bottle closures
- Optical media
- Roll-on deodorant dispensers
- Shaving systems
- Toothpaste packaging
- Aerosol tops, etc.

Technologies: single-component standard molds, stack turning technology, multi-component technology, double cube system, In-Mold-Assembling, surface technology in the nano range

Production plants:

Foboha Haslach (Germany),
AWM Muri (Switzerland), Omni Industries Tech Center Suzhou and Omni Engineering Shanghai (China)

In its marketing efforts in the components business for consumer goods Adval Tech concentrates on direct contacts and close relationships with customers. Its selection as preferred supplier by several corporate groups operating globally in the year under review is a good indication of customer satisfaction. The Adval Tech Group's global focus with world leaders in moldmaking and high-quality manufacturing facilities in Europe, Asia and America is an important competitive advantage.

Moldmaking

AWM Mold Tech Ltd had an exceptionally poor year. The structurally related slump in the optical disc market had a major impact. The revenue shortfall in this market forced the group to launch an extensive restructuring program, resulting in the loss of 50 jobs. In conjunction with the restructuring project in progress and the necessary valuation adjustments to inventories, this resulted in restructuring costs of some CHF 8 million, all of which were charged to the year under review.

Up-front inputs for development projects also depressed the results of AWM Mold Tech Ltd. However, these should pay off in the medium term. Together with partners, AWM has utilized moldmaking know-how for optical discs in other optical applications. AWM aims to secure a good position in this niche market with optical lenses, optical medical components and other applications. AWM has also brought a number of very promising developments in thin-wall food packaging to the market launch stage: for example, injection molding of plastics with barrier properties or of degradable plastics.

Foboha GmbH is still a world leader in injection molding technology for high production volumes in multi-component applications. The cancelation of a large contract and the postponement of other orders caused problems for the company in the year under review. Foboha was unable to offset the resulting temporary lack of capacity utilization with short-term orders at inadequate profit margins. One positive aspect is that all Foboha's key customers

RE-CLOSABLE BEVERAGE CAN

In collaboration with the customer, Foboha has developed the production concept for this novel closure system for beverage cans. For the first time, this now provides a leakproof re-closure feature for these practical beverage cans. The innovative assembly technology is integrated in the injection molding process; the components are efficiently assembled in the automated process to produce the finished can top in assured quality.

are continuing to pursue their development projects – and here Foboha is usually their strategic mold partner. The relevant up-front inputs had an adverse impact in the year under review, but will provide for capacity utilization and improved results in future.

Foboha has also played a major role in establishing the moldmaking operation in China. The group has created a trend-setting moldmaking center for Asia in the shape of the Omni Tech Center in Suzhou (China). In line with Adval Tech's globalization strategy and with the support of Foboha, Omni was able to acquire orders for challenging multi-component molds, produce them and validate them successfully in a very short time. The group thus achieved two objectives at once: first, a crucial competitive edge for customers operating on a global scale, who increasingly want to decentralize not only the manufacture of components, but also the production of molds and their maintenance; and second, ultra precision moldmaking in China provides the platform for attractive growth of the Omni components business in Asia and Mexico.

Outlook

In 2009, Adval Tech aims to expand its global platform in the medical sector substantially and also to grow further at the Grenchen site. Structures for handling global projects will also be reinforced in the Consumer Goods sector. However, Adval Tech believes that the business environment in this market will be difficult in 2009. In moldmaking, Adval Tech will continue the restructuring of AWM Mold Tech Ltd. On the basis of the current order situation the group expects capacity utilization at Foboha to be good in 2009.



These printer cartridges
are manufactured in large
numbers in the Omni plant
in Xiamen (China).



ADVAL TECH IS GROWING INTO AN EFFICIENT GLOBAL ENTITY

In summer 2006, the Board of Directors of the Adval Tech Group approved a change in strategy and thus laid the foundation for the transition from conglomerate to corporate industrial group. In the year under review, rapid growth fueled by the acquisition of Omni in mid-January and the subsequent integration of the various units faced the group with considerable challenges in terms of change management, corporate identity and communication. In this context it was necessary in particular also to take cultural and linguistic aspects into account. In 2008, the group management team and members of senior management also drew up the basic principles for the future corporate culture and for the new communication and human resources strategy.

The Adval Tech Group's corporate strategy is based on three pillars – differentiation, focusing and globalization. These three pillars are briefly explained below:

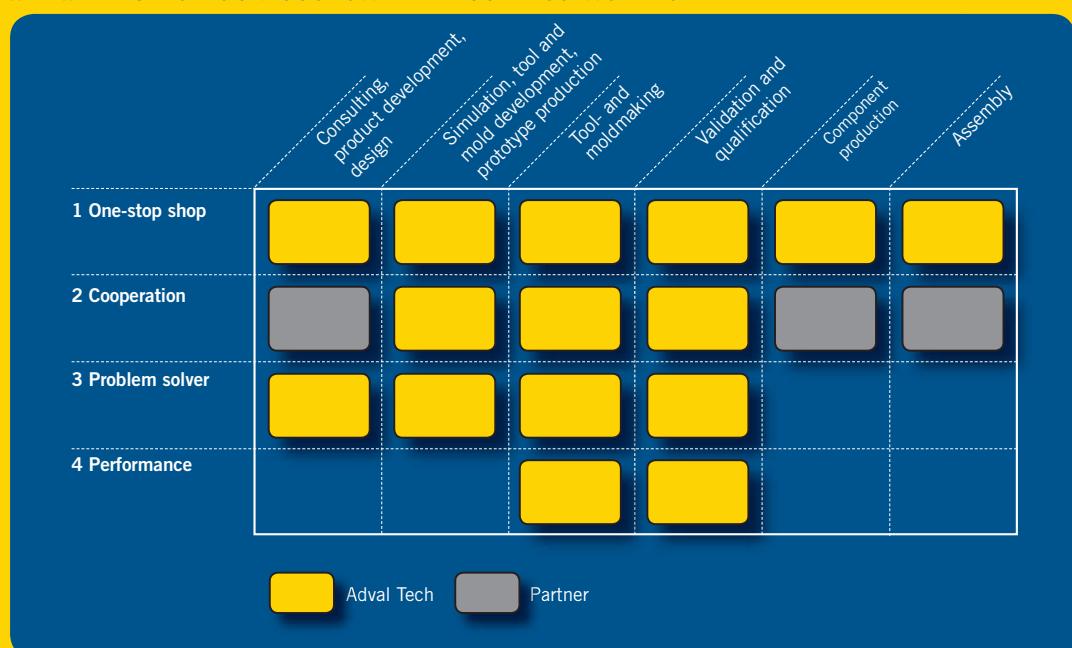
Differentiation in adding value

The value chain for all target markets of the Adval Tech Group is identical – but Adval Tech covers different elements of this value chain, depending on market segment, application or customer. In the automotive industry and medical technology, for example, involvement usually starts with consulting services at the product development stage and concludes with the supply of the finished components. By contrast, the assignment in the case of certain consumer goods applications can be confined to the production and qualification of high-performance tools and molds. This differentiation is reflected in four different forms of customer relationship: one-stop shop, cooperation, problem solver and performance.

The all-in program: one-stop shop

In the “one-stop shop” model Adval Tech operates along the entire value chain. In other words, from consulting in product development and design through product simulation, design and production of the necessary tools and molds, to validation

ADVAL TECH'S FOUR CUSTOMIZED BUSINESS MODELS



and qualification of complete production systems and the resulting manufacture of components. If required, Adval Tech also assumes responsibility for combining these into subassemblies or modules. Steering and lighting systems for the automotive industry are examples of this approach.

Hand in hand: cooperation

In the “cooperation” model Adval Tech again operates along the entire value chain. However in this case not alone, but in cooperation with a strategic partner. This model is, for example, employed in individual diagnostics applications in the medical technology field.

More than production hours: problem solver

In injection molding technology there are segments of the market in which Adval Tech primarily sells molds. Here Adval Tech regards itself as a “problem solver” and provides genuine industrialization solutions that enable above-average productivity to be achieved.

For improved manufacturing output: performance

There are also areas where Adval Tech systematically and solely ensures improved manufacturing performance for its customers with high-performance tools and molds. This business model is employed in the case of numerous consumer goods.

Focusing on three markets: automotive, medical and consumer goods

The Adval Tech Group focuses on growth markets with large unit volumes and a high degree of repetition in its main target markets – automotive, medical and consumer goods. Within these markets Adval Tech has defined certain segments where its strengths are especially effective. At the same time, Adval Tech aims to boost the components business in order to compensate for the fluctuations inherent in the moldmaking business.

Globalization

The Adval Tech Group has a global presence – i.e. in all major markets in Europe, Asia and America. This applies in particular to the component manufacture and to a limited extent to the development and production of molds.

New group identity

An important goal for Adval Tech was to grow together into an efficient entity following the acquisition of Omni. Only then can the opportunities offered by globalization be exploited by the group. Adval Tech aims to create value with innovative products and services in all areas of the group's activities – both for customers and for shareholders and employees. The new slogan succinctly expresses this objective: Adding value through innovation.

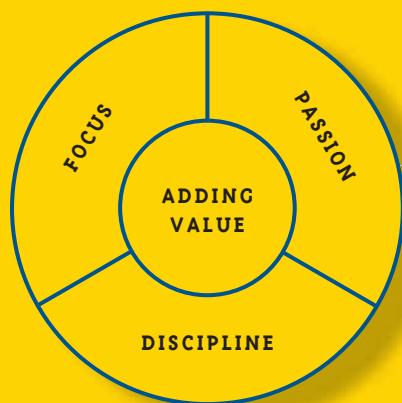
Adval Tech's corporate culture

The management team from all business units of the Adval Tech Group and from all parts of the world met in Lugano at the end of June 2008 for the first Adval Tech global management meeting in order to define collectively how the major challenges facing the group should be tackled in quite specific terms. Those attending the meeting also drew up the basic principles for establishing a group-wide corporate culture, formulating a vision and a mission, and developing a group-wide corporate communication and human resources strategy. In this context Adval Tech has also adopted a Code of Conduct which stipulates binding rules of behavior in business relationships for all employees of Adval Tech companies.

Passion, Focus, Discipline

Adval Tech's corporate culture is characterized by an open attitude to change, passion for outstanding solutions and commitment to putting the group's interests before individual interests. The group's core values have been defined by the group management team and senior management as follows: Passion, Focus and Discipline. Passion stands for the determination, the motivation and the readiness to be “best in class,” i.e. achieve a level of performance that distinguishes Adval Tech from its

competitors. Focus means concentrating our efforts on essentials, setting priorities and aiming at those market segments where Adval Tech's strengths are especially effective. Finally, discipline stands for total delivery reliability, consistent fulfillment of specifications and agreements, and systematic implementation.



Adjustment of the organization structure

As a further step in the implementation of this strategy and in the context of the integration of the Omni Group, at its meeting on March 24 the Board of Directors decided to reorganize the group along the lines of its three main markets: automotive, medical and consumer goods. A division will also be formed which combines all companies manufacturing molds for producing plastics components. The present Injection Molding Division comprising the AWM, Foboha and Teuscher companies will be divided up accordingly.

As part of the reorganization at group level Adval Tech has created a new Projects unit, which will coordinate and implement assignments and projects at group level in the context of the ongoing transformation process. Thomas Meyer, the former Head of the Injection Molding Division, will assume this corporate services position and thus cease to be a member of the group management team as of April 1, 2009.

Group-wide communication strategy

After Adval Tech had standardized the external interface and image of the individual companies and brands in the previous year, group communication assumed definite shape in the year under review: with a new group brochure, a new Web site and a new look at the major trade shows. A quarterly newsletter established itself as an in-house communication medium in the year under review; this will be expanded into a group-wide personnel magazine with individual inserts in 2009.

Development of a human resources strategy

Through a group-wide human resources strategy Adval Tech aims to develop personnel as well as gaining qualified recruits with potential for the future, technology specialists and leaders. The training and further development needs of present members of senior management are being defined on the basis of assessments, and appropriate individual training programs will already commence by mid-year. Potential future management candidates in the group will also be identified and assessed during the course of the year. Adval Tech will subsequently also draw up individual training and development programs for these employees.



This disc top closure for a hair care product is fully assembled directly in the injection mold.

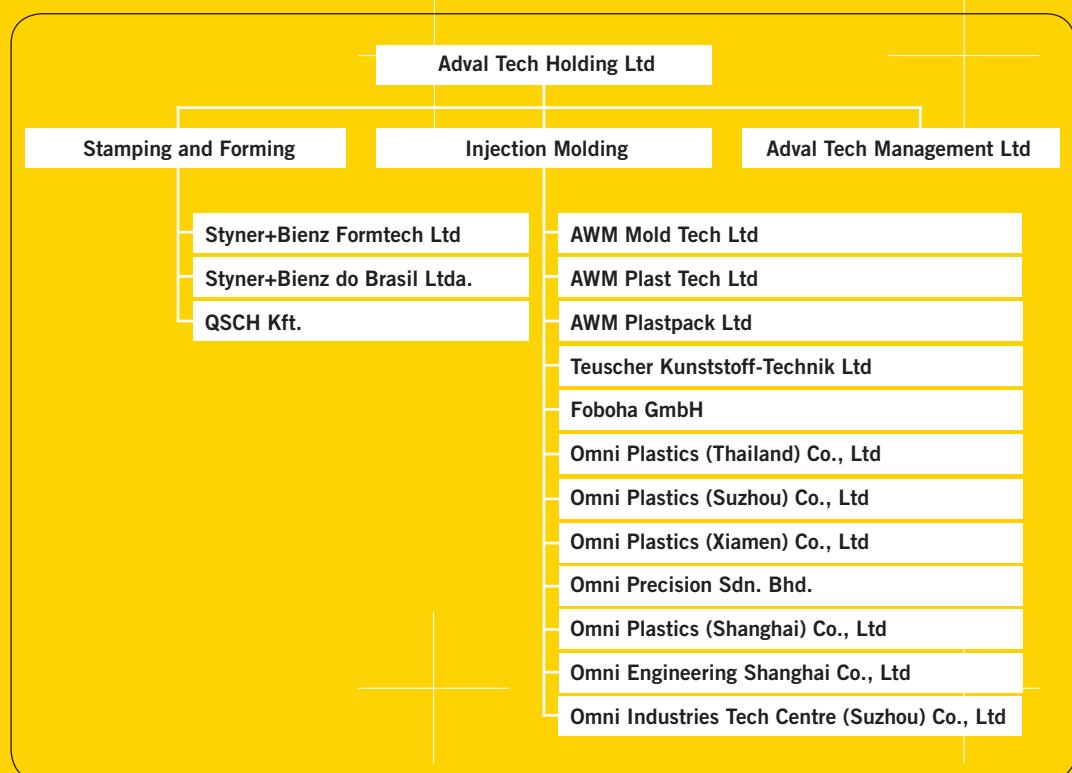
CORPORATE GOVERNANCE

Our principles of corporate governance are based on the Articles of Incorporation and the regulations governing the organization and conduct of business. The following report conforms essentially to the structure specified by the SIX Swiss Exchange for such information.

Corporate structure and shareholders

Adval Tech Holding Ltd, incorporated in Niederwangen, Switzerland, is organized as a holding company

under Swiss law and directly or indirectly owns all Adval Tech companies worldwide. For operational purposes, the Adval Tech Group is organized in two divisions, Stamping & Forming and Injection Molding. Group management and group financing are conducted through Adval Tech Management Ltd and Adval Tech Holding Ltd. Business is conducted through the relevant group companies. Group structure in the year under review was as follows:



Adval Tech B registered shares were listed on the SIX Swiss Exchange as of June 4, 1998, under securities code number 896 792. All shares of Adval Tech Holding Ltd have been listed on the SIX Swiss Exchange since July 5, 2004, under the above securities code number. Their Telekurs ticker symbol is ADVN, their Bloomberg symbol ADVN SW, their ISIN number CH0008967926. The market capitalization of Adval Tech Holding Ltd on December 31, 2008, was CHF 104 million.

Adval Tech Management Ltd held a total of 490 shares, i.e. 0.07% of the share capital of Adval Tech Holding Ltd on December 31, 2008; the remaining group companies hold no shares in Adval Tech Holding Ltd. The increase in the number of shares is a result of the increase in share capital of Adval Tech Holding Ltd effected in May 2008.

The following companies are included in the scope
of consolidation on December 31, 2008:

Company	Registered office		Share capital		Equity holding
Adval Tech Holding Ltd	Niederwangen, Switzerland	TCHF	14,600		
Adval Tech Management Ltd	Niederwangen, Switzerland	TCHF	100	100%	
Styner+Bienz FormTech Ltd	Niederwangen, Switzerland	TCHF	3,050	100%	
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%	
QSCH Termelő és Kereskedelmi Kft.	Szekszárd, Hungary	TEUR	12	100%	
AWM Mold Tech Ltd	Muri (AG), Switzerland	TCHF	600	100%	
AWM Plast Tech Ltd	Merenschwand, Switzerland	TCHF	600	100%	
AWM Plastpack Ltd	Muri (AG), Switzerland	TCHF	600	100%	
Teuscher Kunststoff- Technik Ltd	Grenchen, Switzerland	TCHF	2,000	100%	
AWM Swiss Technology Ltd	Hong Kong, China	THKD	10	100%	
AWM Mold Tech Trading (Shanghai) Co. Ltd	Shanghai, China	TUSD	1	100%	
AWM Mold Service US Inc.	Beverly, MA, USA	TUSD	1	100%	
Foboha Holding GmbH	Haslach, Germany	TEUR	25	100%	
Foboha GmbH	Haslach, Germany	TEUR	512	100%	
Foboha US Inc.	Beverly, MA, USA	TUSD	1	100%	
Omni Investors Pte. Ltd	Singapore	TUSD	13,517	100%	
Omni Industries Holdings Pte. Ltd	Singapore	TUSD	56,885	100%	
Omni Plastics (Thailand) Co., Ltd	Rayong, Thailand	TTHB	40,000	100%	
Omni Plastics (Suzhou) Co., Ltd	Suzhou, China	TUSD	4,160	100%	
Omni Plastics (Xiamen) Co., Ltd	Xiamen, China	TUSD	3,100	100%	
Omni Precision Sdn. Bhd.	Johor, Malaysia	TUSD	505	100%	
Omni Plastics (Shanghai) Co., Ltd	Shanghai, China	TUSD	1,500	100%	
Omni Engineering Shanghai Co., Ltd	Shanghai, China	TUSD	2,800	100%	
Omni Industries Tech Centre (Suzhou) Co., Ltd	Suzhou, China	TUSD	3,000	100%	
Omni Plastics Pte. Ltd	Singapore	TUSD	4,241	100%	
Omni Manufacturing Services S.A. de C.V.	Querétaro, Mexico	TUSD	3,500	100%	
Omni HR Resource Services S.A. de C.V.	Querétaro, Mexico	TUSD	5	100%	

The disclosures published in conformity with Article 20 of the Stock Exchange Act (BEHG) can be accessed on the Web site of the SIX Swiss Exchange via the following link: http://www.six-swiss-exchange.com/admission/being_public/disclosure/major_shareholders_en.html, Issuer ADVAL.

Shareholders holding more than 3% of the registered share capital (as shown in the shareholders' register) recorded in the Commercial Register on December 31, 2008, are listed below.

- Willy Michel.....23.4%
- Artemis Beteiligungen II AG¹⁾21.2%
- Rudolf Styner.....10.1%
- Hansruedi Bienz.....7.5%
- Lombard Odier Darier Hentsch Fund Managers SA6.9%
- Sarasin Investment Fonds AG6.0%
- Einfache Gesellschaft Dreier²⁾.....3.5%

Beneficial owners:

1) Michael Pieper

2) Hans Dreier, Rudolf Dreier

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

The overall structure of shareholdings at December 31, 2008, was as follows:

Number of shares	Shareholders
1 to 100	390
101 to 1,000	82
1,001 to 10,000	15
More than 10,000	9
Total	496

Capital structure

As of December 31, 2008, the capital stock of Adval Tech Holding Ltd 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. With respect to restrictions on registration, reference is made to the section on stockholders' rights of co-determination (see pages 37 and 39).

As of December 31, 2008, there was no authorized or conditional capital, nor were there any participation or dividend-right certificates, convertible bonds or options in issue.

The shareholders' register is maintained by SIX SAG AG, Baslerstrasse 90, 4600 Olten, on behalf of Adval Tech Holding Ltd.

Changes in the shareholders' equity of Adval Tech Holding Ltd are as follows:

in CHF	12/31/2008	12/31/2007	12/31/2006
Share capital	14,600,000	7,300,000	7,300,000
General reserves	102,600,105	9,500,000	9,500,000
Reserve for treasury stock	145,420	71,800	81,863
Free reserves	14,950,227	15,023,847	15,013,784
<i>Share capital and reserves</i>	<i>132,295,752</i>	<i>31,895,647</i>	<i>31,895,647</i>
Balance brought forward	41,599,067	40,314,884	39,534,218
Net result for the year	-836,556	3,839,183	2,970,666
<i>Retained earnings</i>	<i>40,762,511</i>	<i>44,154,067</i>	<i>42,504,884</i>
Total shareholders' equity	173,058,263	76,049,714	74,400,531

The following changes in capital took place in 2008: The annual general meeting held on April 24, 2008, adopted a motion to increase the share capital by issuing 365,000 registered shares with a par value of CHF 20 each. The issue price was CHF 275 per share. The newly issued shares were underwritten and offered to existing shareholders for purchase. Trading of the newly issued shares on the SIX Swiss Exchange commenced on May 7, 2008.

There were no changes in capital in the years 2006 and 2007.

Board of Directors

The Board of Directors of Adval Tech Holding Ltd is composed of the following members:

- **Walter Grüebler** (Chairman), born 1942, Swiss; PhD (Econ.) St. Gallen; member of the Executive Board of Alusuisse, Zurich (1990–1999), CEO of Sika AG, Baar (2000–2004), Chairman of Sika AG (since 2005); director since 1997, non-executive, term of office expires at the AGM for the 2008 fiscal year.
- **Michael Pieper** (Vice Chairman), born 1946, Swiss; MA (Econ.) St. Gallen; owner and CEO of the Franke Group (since 1989); director since 2004, non-executive, term of office expires at the AGM for the 2009 fiscal year.
- **Leonardo Attanasio**, born 1942, German; MBA; CEO of Johnson Controls GmbH, Burtscheid, Germany (1996–2004), Chairman of the Supervisory Board of Industriale Sud, Terni, Italy (1997–2004), supervisory board of JC INSITU Beteiligungsgesellschaft mbH, Grefrath, Germany, independent consultant (since

2006); director since 2005, non-executive, term of office expires at the AGM for the 2010 fiscal year.

- **Hans Dreier**, born 1953, Swiss; MBA FH; executive director since 1988, Head of Marketing and Logistics at the Adval Tech Group, Niederwangen, term of office expires at the AGM for the 2008 fiscal year. Further information on his professional career can be found under Executive management on page 36.
- **Willy Michel**, born 1947, Swiss; Dr. h.c.; CEO of Novo Nordisk Switzerland (1978–1984), co-founder, Chairman of the Board of Directors and CEO of Disetronic Ltd, Burgdorf (1984–2003), Chairman of the Board of Directors of Ypsomed Holding Ltd, Burgdorf (since 2003); director since 2007, non-executive, term of office expires at the AGM for the 2009 fiscal year.
- **Josef Reissner**, born 1939, Austrian; Prof. Dr. em.; Head of the Institute for Virtual Production at the Swiss Federal Institute of Technology, Zurich (1976–2004); director since 1997, non-executive, term of office expires at the AGM for the 2008 fiscal year.
- **Roland Waibel**, born 1958, Swiss; PhD; various executive positions at the Lonza Group, Basel, including Group Controller, CFO and Senior Vice President, Corporate Development (1989–2006), CFO of the Omya Group, Oftringen (since 2006); director since 2005, non-executive, term of office expires at the AGM for the 2010 fiscal year.

Walter Grüebler is Chairman of the Board of Sika AG, Baar, and a director of the following companies: Quadrant AG, Lenzburg, Nationale Suisse, Basel, and Petroplus Holdings AG, Zug.

Michael Pieper is Chairman of Artemis Holding AG, Hergiswil, and its subsidiaries, and of Franke subsidiaries worldwide. He is also a director of the fol-

lowing companies: Berenberg Bank (Schweiz) AG, Zurich, Hero AG, Lenzburg, Feintoil International Holding AG, Lyss, Forbo Holding AG, Baar, and ThyssenKrupp Stainless AG, Duisburg, Germany.

Willy Michel is Chairman of the Board of Directors of Ypsomed Holding AG, Burgdorf, and BV Holding AG, Bern.

With the exception of Prof. Dr. Reissner, none of the non-executive members of the Board of Directors has also been employed by the Adval Tech Group in an operational or consultative capacity in the past three years. Prof. Dr. Reissner has been employed in a consultative capacity. Otherwise the members of the Board of Directors are not members of any other executive and supervisory bodies of significant Swiss or foreign corporations, institutions and foundations under private or public law and also hold no important political offices.

Ypsomed AG in Burgdorf and Adval Tech Holding Ltd signed an agreement on strategic cooperation in moldmaking in June 2007. The objective of this cooperative venture is to combine the respective strengths and core competencies of Ypsomed and Adval Tech and exploit them for the economically efficient manufacture of high-quality products. The Adval Tech Group's business relationships with directors and officers or parties related to them are detailed in Note 39 of the financial reports on page 88.

The Articles of Incorporation and the regulations governing the organization and conduct of business of Adval Tech Holding Ltd can be found on the Internet at www.advaltech.com/en/gruppe/corporate-governance.html.

In terms of the Articles of Incorporation of Adval Tech Holding Ltd, the Board of Directors has at least three members, who are elected for a three-year term of office. Re-election is permitted. The Articles of Incorporation include no provisions regarding an age limit for directors. 70 has been stipulated as



Flexible positioning vanes as part of a fully enclosed, intravenous catheter system for the sterile, needle-free administration of liquids and medication.

the age limit in the regulations governing the organization and conduct of business.

The Board of Directors represents the highest decision-making authority in the company, subject to those matters on which, according to legal provisions, the shareholders must decide. It performs the following duties: specifying the framework of the mission statement, strategic focus and objectives as well as medium-term planning and the annual budget for group management; defining the group organization; appointing and dismissing the CEO and other members of group 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 and approves the material transactions for which it is solely responsible according to the allocation of authority in effect. These include in particular corporate acquisitions or disposals, contracts regarding licenses and cooperation.

The Board of Directors can delegate the preparation, execution and supervision of its duties to committees or individual directors. It has formed an Audit Committee and a Nominations and Compensation Committee for this purpose. The duties and authority of the board committees are listed in paragraphs 5 and 6 of the regulations governing the organization.

The composition of the board committees is as follows: Audit Committee: Roland Waibel (Chairman), Hans Dreier. Nominations and Compensation Committee: Walter Grüebler (Chairman), Michael Pieper.

The duties, authority and responsibilities of the Board of Directors and the board committees are

stipulated in the regulations governing the organization of Adval Tech Holding Ltd. The Board of Directors meets as often as business requires, but at least four times a year, with the Chairman presiding. Six meetings were held in 2008. Board meetings usually last half a working day.

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, reviews the internal control system, risk management and compliance with laws and directives. On the application of the CFO it approves the budget for auditing fees and assesses the compatibility of auditing activities with other advisory mandates. The Audit Committee submits a proposal to the Board of Directors for the attention of the annual general meeting regarding the election of auditors. The CFO and, if necessary, the CEO usually attend the meetings in a consultative capacity. The Audit Committee meets as often as business requires, but at least twice a year. Three meetings were held in 2008. The meetings usually last two to four hours.

The Nominations and Compensation Committee prepares personnel planning at board and group management level. This includes specifying the criteria for candidate searches and preparation of their selection as well as succession planning and talent development. It assesses the performance of group management for the attention of the Board of Directors and stipulates the remuneration of group management. It also submits proposals for the compensation of the Board of Directors. The Nominations and Compensation Committee meets as often as business requires, but at least once a year. The CEO usually attends its meetings in a consultative capacity. Two meetings were held in 2008. The meetings usually last one to two hours.

The Board of Directors informs itself periodically, usually monthly, by means of a written report, regarding the course of business in the group, the degree to which objectives have been achieved and

the actions foreseen for this purpose. The monthly report contains information on the current course of business in the major group companies and the group as a whole (key figures from the income statement and the balance sheet, information on capital expenditure, with additional comments), the status of important projects and major developments on the markets. The Board arranges to be informed as necessary about the progress of strategic projects. In addition to these written reports, the CEO, and, if necessary, other members of group management, attend the board meetings, at which open issues and further inquiries can be discussed or answered. Proposals and reports are submitted to the Board of Directors in writing in good time prior to the meeting. Cooperation with the auditors is described on page 39.

The Board of Directors has delegated the management of the operating business with regard to achieving the strategic objectives and fulfilling the medium-term plans and budgets to group 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.

Executive management

The executive management team of the Adval Tech Group (group management) as of January 1, 2009:

■ **Jean-Claude Philipona**, born 1953, Swiss; with Adval Tech since 1997; Chief Executive Officer; MA (Econ.) Zurich. Career: executive management consultant, focusing on strategy, organization and controlling at PricewaterhouseCoopers in Bern and its predecessor organizations (1982–1989); CFO and member of executive management at Papierfabrik M-Real AG in Biberist and its predecessor organizations (1989–1997); joined the Adval Tech Group as CFO in anticipation of the IPO; CEO since January 1, 2001. Member of the executive committee of Swissmem, director of Crealogix Holding AG.

■ **Hans Dreier**, born 1953, Swiss; with Adval Tech since 1982; Head of Marketing and Logistics; MBA FH. Career: project manager, then systems manager at Honeywell Bull, Düsseldorf, Germany (1980–1982); joined Styner+Bienz as Head of Information Technology; as of 1984 Head of Sales and Marketing; since 1997 member of group management in his current position.

■ **Thomas Meyer**, born 1967, Swiss; with Adval Tech since 1998, Head of the Injection Molding Division, MBA FH. Career: auditor with PricewaterhouseCoopers and its predecessor organizations, Aarau (1993–1995); CFO of the Holderbank Management und Beratung AG, Zurich (1995–1998); joined AWM Mold Tech, since 1999 as Head of Finance, Controlling and Services of the Injection Molding Division, since 2001 also Deputy Head of Division, 2006/2007 General Manager of AWM Mold Tech Ltd, since January 1, 2007, Head of Division.

■ **Markus Reber**, born 1963, Swiss; with Adval Tech since 2002, Chief Financial Officer, MBA FH. Career: controller and CIO at ABB-MMD Robotics AG, Deitingen (1989–1993), 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 since January 1, 2007.

■ **René Rothen**, born 1959, Swiss, with Adval Tech since 2007, Head of the Stamping and Forming Division, 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 Division.

- **Neo Age Seng**, born 1954, Singapore citizen; with Adval Tech since January 2008; President of Omni Industries Holdings Pte Ltd; Graduate Tool & Die Engineer of Singapore Polytechnics and certificate in Plastic Mold Design. Career: Tooling Engineer with HP Singapore (1987–1989); Principal Tooling Engineer with Apple Computer Singapore (1989–1991); Managing Director of Omni Mold Ltd and Tech Group Singapore (1996–2003); Chief Executive Officer of Tech Group Asia, Singapore (2003–2005); Chief Technology Officer of Sunningdale Tech Ltd (July 2005–January 2006); CEO of Omni Industries Holdings Pte Ltd (2006–2007). Joined Adval Tech as President of Omni Industries Holdings Pte Ltd.

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

There are no management contracts between Adval Tech Holding Ltd or any of its group companies and third parties.

Remuneration, equity holdings and loans

The Appointments and Compensation Committee proposes the remuneration of the Board of Directors and defines the compensation of group management. Remuneration is defined so as to conform with market rates for the position in question and to reflect the qualification, professional experience and performance of the individual concerned.

The remuneration of the Board of Directors consists of a fixed fee, an attendance fee and a lump sum to cover expenses. The total remuneration of the members of the Board of Directors is disbursed in cash. The remuneration of the members of group management consists of a fixed component and a variable

component. The fixed component consists of a basic salary and fringe benefits (company car). The variable component depends on business performance and the achievement of individual targets.

The amount of the performance-related component is defined by the Appointments and Compensation Committee. Both the fixed and the variable remuneration is disbursed to the members of group management in cash.

The remuneration and equity holdings of directors and officers are listed in accordance with Art. 663b bis of the Swiss Code of Obligations in the appendix to the financial reports of Adval Tech Holding Ltd on pages 93 to 95 of the annual report.

Shareholders' rights of co-determination

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application, if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Article 7 of the Articles of Incorporation of Adval Tech Holding Ltd dated June 24, 2004, purchasers of shares in excess of 5% of the registered capital stock recorded in the Commercial Register will not be entered with voting rights. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. Groups of individuals who are associated with each other and act in concert to circumvent the registration restrictions are regarded as a single purchaser. The Board of Directors can permit exceptions. In 2006, the Board of Directors granted an exception in favor of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. Beneficial ownership remained unaffected by this transaction. On January 30, 2007, the Board of Directors permitted an exception in favor of Willy Michel, which was granted in connection with a cooperation agreement. Furthermore, these voting restrictions do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all share votes when the provisions of the Articles of Incorporation



These spray cans are components of mixing and administration systems and are used, for example, in orthopedics, vascular surgery, ophthalmology or wound treatment.

regarding voting restrictions were issued (Rudolf Styner, Hansruedi Bienz, Einfache Gesellschaft Dreier). The exceptions granted were confirmed by the Board of Directors with reference to the increase in share capital in May 2008. Fiduciary entries in the shareholders' register are only possible without voting rights. The Articles of Incorporation of Adval Tech Holding Ltd regarding quorum requirements conform to legal provisions.

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 shares with a par value of not less than CHF 1 million can request the inclusion on the agenda of items for discussion. This request must be submitted to the Board of Directors up to 45 days prior to the annual general meeting with details of the item for discussion and the motion proposed. There are no regulations differing from the Swiss Code of Obligations regarding the convening of a general meeting. Shareholders who are entered with voting rights in the shareholders' register at least 14 days prior to the annual general meeting are entitled to vote at the meeting.

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.

Change of control and defensive measures

The Articles of Incorporation of Adval Tech Holding Ltd include no provisions for "opting-out" or "opting-up" upon reaching the legal value threshold. The contracts of employment of directors and officers also include no clauses relating to change of control.

Auditors

PricewaterhouseCoopers AG in Bern, i.e. their legal predecessors Revisuisse PriceWaterhouse, were

elected as statutory auditors for Adval Tech Holding Ltd in 1991. Peter Wittwer acts as lead auditor (since 2004). Auditors for Adval Tech Holding Ltd are elected for a term of office of one year. Audit fees paid to PricewaterhouseCoopers AG in 2008 totaled CHF 239,000. PricewaterhouseCoopers AG were also paid CHF 892,000 in 2008 for legal and tax consulting services as well as support on projects, in particular in the context of the acquisition of Omni Investors Pte. Ltd Singapore and the increase in the share capital of Adval Tech Holding Ltd.

The auditors usually report their audit findings in writing to the Board of Directors and the Audit Committee. The written report is submitted in the form of an audit report, insofar as legally stipulated in an explanatory report and by Management Letters. The significant findings and recommendations in the auditors' reports are discussed in detail with the Audit Committee, the Board of Directors as a whole and group management. The auditors also attended three meetings of the Audit Committee in 2008 in order to explain the results of their audit. A detailed management report was drawn up by the auditors on each occasion to summarize the results of the interim audit and the audit of the annual financial statements; this served as the basis for explanations to the Audit Committee and the Board of Directors as a whole.

The Audit Committee reviews the audit concept annually and stipulates the audit schedule after consultation with the auditors and the Chairman of the Board of Directors, and agrees the relevant fees. The committee also periodically reviews the compatibility of the audit mandate with any other consulting contracts.

Information policy

Adval Tech attaches great importance to pursuing an open information policy and maintaining contacts with investors, financial analysts, business journalists and other interested parties. CEO Jean-Claude Philipona and CFO Markus Reber are

available to these target groups as the persons to contact directly.

Adval Tech publishes its results in an annual report and a semi-annual report, and also in press releases. A results press conference and a presentation to financial analysts are also held to explain the annual results. The annual and semi-annual reports can be accessed on the Adval Tech Group's Web site or can be ordered from the company in printed form.

The company's official publication medium is the Swiss Official Commercial Gazette (SOCG). Publications in connection with maintaining the listing of the registered shares on the SIX Swiss Exchange are made in conformity with the listing regulations of the SIX Swiss Exchange. These can be accessed at www.six-swiss-exchange.com, Admission/Issuers, links: Listing Rules.

Detailed information regarding disclosure reports can be accessed at www.six-swiss-exchange.com, Admission/Issuers, links: Disclosure of Significant Shareholders.

Important events are announced in compliance with the ad hoc publicity requirements of the SIX Swiss Exchange and made public (so-called push and pull system).

Information on transactions with the company's shares by the Board of Directors and group management are published continuously at www.six-swiss-exchange.com, Admission/Issuers, links: Published Notifications on Management Transactions.

The press releases published by the company, the Articles of Incorporation and the regulations governing the organization and conduct of business of Adval Tech Holding Ltd can be accessed on the Internet at www.advaltech.com. Press releases published by Adval Tech can also be ordered for delivery free of charge and promptly via an e-mail distribution service on the Web site.

Contact:

Jean-Claude Philipona
Chief Executive Officer

Markus Reber
Chief Financial Officer

Phone +41 31 980 84 44
www.advaltech.com

Agenda:

General meeting of shareholders 2009:
Thursday, May 14, 2009.

Announcement of the results for the first half of 2009: Beginning of September 2009.

**FINANCIAL REPORTS
OF THE ADVAL TECH GROUP FOR 2008**

C O N S O L I D A T E D B A L A N C E S H E E T

	Notes	12/31/2008	12/31/2007
CHF 1,000			
Liquid assets		31,829	19,451
Trade accounts receivable	4	46,933	48,702
Other receivables	5, 36	15,958	10,790
Inventories and work in progress	6	62,806	73,431
Tangible fixed assets for disposal	8	0	5,043
Prepaid expenses and accrued income	7	2,599	3,450
Total current assets		160,125	160,867
Tangible fixed assets	8	170,525	153,906
Financial assets	10	928	2,152
Intangible assets	11	74,436	9,013
Pension assets	18	733	421
Deferred tax assets	19	3,066	1,026
Total fixed assets		249,688	166,518
Total assets	31	409,813	327,385
Trade accounts payable	12	33,128	29,789
Short-term interest-bearing liabilities	13, 16	4,343	6,144
Other short-term liabilities	14, 36	17,486	16,268
Accrued expenses		18,022	16,457
Short-term provisions	18	3,607	3,554
Accrued current income taxes		2,135	2,399
Total short-term liabilities		78,721	74,611
Long-term interest-bearing liabilities	15, 16	110,095	107,274
Other long-term liabilities	17	10,386	166
Long-term provisions	18, 25	3,629	1,894
Deferred tax liabilities	19	8,875	14,200
Total long-term liabilities		132,985	123,534
Total liabilities	31	211,706	198,145
Share capital	20	14,600	7,300
Capital reserves		146,799	57,324
Treasury stock		-145	-72
Translation differences		-15,555	1,897
Hedging reserves		0	-1,401
Retained earnings		52,408	64,192
Total shareholders' equity		198,107	129,240
Total liabilities and shareholders' equity		409,813	327,385

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	2008	2007
Net turnover	22, 31	396,339	330,351
Change in inventories of semi-finished and finished goods		-3,935	8,601
Own work capitalized		2,059	1,038
Other operating income	1.1, 3	22,062	8,565
Total income	31	416,525	348,555
Cost of materials and services	23	-185,473	-151,847
Personnel expenses	24	-133,687	-107,810
Other operating expenses	26	-71,029	-50,461
Operating expenses		-390,189	-310,118
Operating earnings before depreciation (EBITDA)	31	26,336	38,437
Depreciation on tangible fixed assets		-26,479	-22,314
Depreciation on intangible assets		-1,142	-665
Depreciation		-27,621	-22,979
Operating earnings (EBIT)	31	-1,285	15,458
Financial income	27	10,740	4,335
Financial expenses	27	-22,940	-8,641
Net financial income		-12,200	-4,306
Net result before income taxes		-13,485	11,152
Income taxes	28	4,251	-2,864
Net result		-9,234	8,288
Earnings per share (CHF)	29		
Undiluted		-15.30	22.72
Diluted		-15.30	22.72

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

C O N S O L I D A T E D C A S H F L O W S T A T E M E N T

CHF 1,000	Notes	2008	2007
Net result		-9,234	8,288
Depreciation on tangible fixed assets	8	26,479	22,314
Impairment of financial assets / depreciation on intangible assets	11	1,144	665
Increase (+) / decrease (-) in long-term and short-term provisions		-2,205	965
Increase (+) / decrease (-) in provision for deferred taxes		-6,921	-42
Gain (-) / loss (+) on sales of tangible fixed assets		-634	-357
Other transactions with no impact on liquidity		-11,417	0
Cash provided by operating activities before change in net current assets		-2,788	31,833
Increase (-) / decrease (+) in receivables		31,594	-11,401
Increase (-) / decrease (+) in inventories		16,362	-9,404
Increase (-) / decrease (+) in prepaid expenses and accrued income		1,181	127
Increase (+) / decrease (-) in short-term liabilities		-26,453	7,369
Cash provided by operating activities		19,896	18,524
Capital expenditure	8,31	-26,090	-22,571
Income from sales of tangible fixed assets		6,490	2,028
Increase (-) / decrease (+) in financial assets	10	92	-1,145
Increase (-) / decrease (+) in intangible assets	11	-26	-477
Purchase of equity holdings (less liquid assets)		-58,909	-8,141
Cash used for investing activities		-78,443	-30,306
Free cash flow		-58,547	-11,782
Dividends paid	32	-2,555	-2,190
Capital contributions (repayments)	33	96,442	0
Purchase (-) / sale (+) of treasury stock		-68	20
Loans raised in connection with debt refinancing		184,800	0
Repayment in connection with debt refinancing		-182,800	0
Increase (+) / decrease (-) in short-term/long-term debt		-23,876	10,616
Cash provided by financing activities		71,943	8,446
Translation differences		-1,018	-117
Changes in liquid assets		12,378	-3,453
Liquid assets on December 31		31,829	19,451
Liquid assets on January 1		19,451	22,904
Change in liquid assets		12,378	-3,453

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

"Other transactions with no impact on liquidity" consist mainly of the purchase price adjustment posted to income and the transaction costs arising from the acquisition of Omni Investors Pte. Ltd.

The cash outflows in the year under review for taxes and interest on borrowings as well as cash inflows from interest income are set out in explanatory note 30.

SHAREHOLDERS' EQUITY

CHF 1,000	Share capital	Capital reserves	Treasury stock	Translation differences	Hedging	Retained earnings	Total shareholders' equity
At January 1, 2007	7,300	57,324	-82	-363	0	58,083	122,262
Dividends	0	0	0	0	0	-2,190	-2,190
Purchase/sale of treasury stock	0	0	10	0	0	11	21
Change translation difference	0	0	0	2,260	0	0	2,260
Hedging currency risks	0	0	0	0	-1,401	0	-1,401
Net result for the year	0	0	0	0	0	8,288	8,288
At December 31, 2007	7,300	57,324	-72	1,897	-1,401	64,192	129,240
Increase of share capital	7,300	89,475	0	0	0	0	96,775
Dividends	0	0	0	0	0	-2,555	-2,555
Purchase/sale of treasury stock	0	0	-73	0	0	5	-68
Change translation difference	0	0	0	-17,452	0	0	-17,452
Hedging currency risks	0	0	0	0	1,401	0	1,401
Net result for the year	0	0	0	0	0	-9,234	-9,234
At December 31, 2008	14,600	146,799	-145	-15,555	0	52,408	198,107

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

The item included in shareholders' equity for hedging currency risks is related to the acquisition of Omni Investors Pte. Ltd., completed in January 2008.

The non-distributable reserves in group shareholders' equity totaled CHF 13.9 million in the year under review (CHF 12.1 million in 2007).

In the consolidated financial statements of the Adval Tech Group as of December 31, 2008, the costs associated with the increase in share capital were offset against the inflow of funds from the increase in capital. Deferred taxes amounted to CHF 0.3 million and were credited to capital reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. PRINCIPLES OF CONSOLIDATION AND VALUATION

1.1 Accounting principles

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

They have been prepared in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). 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 excludes financial assets available for disposal, financial assets and liabilities held for trading purposes as well as derivative financial instruments stated in the balance sheet at market value. Assets and liabilities are valued individually.

Preparing the consolidated financial statements in conformity with the applicable reporting standards calls for estimates and assumptions to be made which influence the figures stated for assets and liabilities as well as contingent claims and liabilities on 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), tangible fixed assets (useful lives), intangible assets (useful lives, impairment calculations), provisions and deferred taxes (recognition for tax loss carryforwards) as well as the estimate of future conditional compensation payments in connection with business combinations.

The revised standards and interpretations have been applied as follows when preparing the 2008 annual financial statements:

		Effective date	Impact
IAS 1 (rev.)	Presentation of financial statements	1/1/2009	a)
IAS 23 (rev.)	Borrowing costs	1/1/2009	a)
IAS 27 (rev.)	Consolidated and separate financial statements conforming to IFRS	7/1/2009	b)
IAS 39 (rev.)	Financial instruments: recognition and measurement	7/1/2009	a)
IFRS 2 (rev.)	Share-based payment	1/1/2009	a)
IFRS 3 (rev.)	Business combinations	7/1/2009	b)
IFRS 8	Operating segments	1/1/2009	a)
IFRIC 12	Service license agreements	1/1/2008	c)
IFRIC 13	Customer bonus programs	7/1/2008	c)
IFRIC 14	Limitation of performance-based assets, minimum financing requirements and their interaction	7/1/2008	c)
IFRIC 15	Agreements for the construction of real estate	1/1/2009	c)
IFRIC 16	Hedges of a net investment in a foreign operation	10/1/2008	c)
IFRIC 17	Distributions in kind to owners	7/1/2009	c)
IFRIC 18	Transfer of customers' assets	7/1/2009	a)

a): The impact of the revisions will be examined for the preparation of the 2009 annual financial statements

b): Applied early to the 2008 annual financial statements

c): New or revised interpretations (IFRIC) without material impact on the annual financial statements

The group applied IFRS 3 (revised) early in the 2008 financial year. IFRS 3 (revised) continues to use the purchase method for business combinations. The payment flows for acquiring a company are stated in the balance sheet at fair value on the date of acquisition. Conditional future payments are integrated in the purchase price and stated as liabilities as well as being regularly revalued after the date of acquisition and adjusted via the income statement. For any minority interests in any corporate transaction a choice can be made between including them in the balance sheet at fair value or as a proportion of the net assets of the company acquired.

IFRS 3 (revised) was applied to the acquisition of the Omni Group as of January 15, 2008. As in the existing IFRS 3 standard, liabilities for conditional future compensation payments of CHF 22.7 million were recognized as of the date of acquisition. The transaction costs of CHF 1.7 million were included in "Other operating expenses." In the existing IFRS 3 standard the transaction costs were a component part of the purchase price. Remuneration of Omni Group management linked to the future operating earnings of the Omni Group is included in "Personnel expenses." As a consequence of the reappraisal of compensation payments at year-end, the group included income of CHF 12.2 million as "Other operating income" in the 2008 annual financial statements. The application of IFRS 3 (revised) had the following impact on earnings per share in 2008: earnings per share according to IFRS 3 to date: diluted CHF -26.45, undiluted CHF -26.45; earnings per share according to IFRS 3 (revised): diluted CHF -15.30, undiluted CHF -15.30. Details of the acquisition of the Omni Group are provided in note 3 (Scope of consolidation).

Together with the early application of IFRS 3 (revised), the Adval Tech Group was also required to apply IAS 27 (revised) early. IAS 27 (revised) stipulates that all effects of transactions with minority interests in shareholders' equity must be recorded if no change in control has occurred. Neither goodwill

nor profit and loss is generated by such transactions. The revised standard also includes guidelines for preparing the balance sheet on the occasion of loss of control over a company. IAS 27 (revised) has no impact on the annual financial statements of the Adval Tech Group.

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 or incorporation. Assets and liabilities are valued at the relevant market value on that date. Transaction costs are posted to "Other operating expenses." Conditional future payments are included in the purchase price as of the date of acquisition and regularly reappraised thereafter. Changes in these payments are reflected in the income statement. Any positive difference between the purchase price and the shareholders' equity of the acquired company remaining after revaluation is capitalized as goodwill. Any negative difference (negative goodwill) is credited directly to the income statement on the date of acquisition. Goodwill carried on the balance sheet is not amortized, but is subject to an annual impairment test. Any impairment is charged to income.

Companies are included in the consolidation according to the following **methods**:

- Companies in which Adval Tech Holding Ltd holds a direct or indirect voting interest of **more than 50%** and/or exercises management and control are fully consolidated. In such cases, assets and liabilities, expenses and income are included in full in the consolidated financial statements. If appropriate, minority interests of other shareholders in net assets and net profit are segregated and stated separately. In such cases minority interests can optionally be stated in the balance sheet at fair value or as a proportion of the value of the net assets of the company acquired. Accounts receivable, accounts payable,

income and expenses between group companies are mutually offset. Intragroup profits or losses on intercompany deliveries are eliminated via the income statement.

- Associated companies over which the group exercises significant influence, but neither controls nor manages, are included in the consolidated financial statements using the equity method. This is usually the case with investments in which Adval Tech holds an interest of **20% to 50%**. The share of profits and shareholders' equity attributable to the Adval Tech Group is then included.
- Investments over which Adval Tech exercises no significant influence, usually holding interests of **less than 20%**, are included in the balance sheet at market value.

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

1.3 Foreign currency translation

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

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

- The balance sheets of companies which do not prepare their financial statements in the group's reporting currency are translated at year-end exchange rates, 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 Financial accounts receivable and payable

Financial accounts *receivable and payable* are valued as follows:

- Loans granted, receivables from finance lease transactions, customers, credit balances, pre-paid expenses and accrued income as well as assets held to maturity are valued in principle at remaining acquisition cost. Any value adjustment is made via the income statement if impairment is recognized.
- Trade accounts payable, accrued expenses as well as short-term and long-term financial liabilities are valued at remaining acquisition value.
- 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 readily marketable securities. Bank accounts with negative balances are included in short-term 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 that portion of long-term assets maturing within one year.

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. Inventory risks are identified by means of coverage analyses and individual observation, and provisions made accordingly. Long-term orders are stated according to the percentage-of-completion 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. Discounts are included in financial income.

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 Tangible fixed assets

Tangible fixed assets are stated at cost less accrued depreciation, which is calculated using the straight-line method on the basis of estimated useful life. In the case of buildings we apply a useful life of 30 to 40 years, for machinery, equipment and fixtures 5 to 15 years, for especially long-lived machinery up to 25 years, for office equipment and machinery including computer hardware and software 3 to 10 years. Interest on borrowings arising from the establishment of new tangible fixed assets is included as expenditure in the period in which it is incurred. Repair and maintenance expenses are charged to income. Extensive equipment overhauls are only capitalized if they result in measurable capital appreciation in the form of higher performance or longer useful life.

1.9 Financial assets

Financial assets consist of investment holdings consolidated using the equity method, other investments, securities in the nature of long-term investments, receivables from finance leases and long-term loans to third parties.

1.10 Intangible assets

Acquired patents, licenses and trademarks are valued at acquisition or manufacturing cost if their earnings potential can be reliably estimated. Other identifiable intangible assets arising from acquisition, such as customer relationships or orders in hand, are stated at current value. These intangible assets are amortized using the straight-line method over their expected useful life, not exceeding 10 years.

Goodwill arising from the acquisition of assets or a company is included under intangible assets. Goodwill arising from acquisitions prior to the change to IFRS has been offset directly against shareholders' equity. Research costs are charged to income. Expenditure on development projects is capitalized and amortized over their expected useful life, not exceeding five years, if their earnings potential can be reliably estimated and they fulfill the further criteria for capitalization in conformity with IAS 38.

1.11 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 included under short-term or long-term liabilities.

1.12 Impairment of assets

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

1.13 Short-term liabilities

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.

1.14 Provisions

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

1.15 Shareholders' equity

The following distinctions are made in respect of reserves:

- The difference between shareholders' equity and the original cost of the investment holdings stated in the context of the uniform valuation of assets and liabilities on January 1, 1996, is posted to capital reserves. The share premium arising from increases in share capital is also included here.
- Retained earnings include all profits generated by the group itself since January 1, 1996, and not distributed.
- The impact of hedging transactions is stated in a separate item.

1.16 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.

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

1.17 Income taxes

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

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

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

1.18 Payments to employees

Occupational pension funds for employees are based on the regulations in effect in the countries in which the Adval Tech Group operates.

In the case of Swiss pension funds, future pension liabilities are calculated using the projected unit credit method, according to which the expenses incurred to cover future pension claims are distributed over the expected working life of the employees and charged to income on this basis. The expenses incurred and their distribution over the employees' working life are governed by the recommendations of independent actuaries.

The relevant contributions made by the group to the pension funds are charged to income in the year for which they are paid.

Actuarial gains and losses are included in the income statement if the accumulated gains or losses of the individual pension plans exceed 10% of the defined pension liability or assets. These gains or losses are included in the income statement in accordance with the expected future duration of employment of the employees.

Other employee entitlements, such as long-service bonuses based on terms of employment, are accounted for by provisions.

1.19 Relationships with related parties

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

1.20 Subtotals in the consolidated financial statements

In order to enhance the information content of the consolidated financial statements, the income statement includes the following subtotals which are not defined in IFRS:

- Total income, comprising net turnover plus change in inventories of semi-finished and finished goods, own work capitalized and other operating income.
- Operating earnings before depreciation (EBITDA), comprising total income less cost of materials and services, personnel expenses and other operating expenses.
- Operating earnings (EBIT), comprising operating earnings before depreciation less depreciation on tangible fixed assets and depreciation on intangible assets.

The cash flow statement also includes the subtotal "Free cash flow," which is the sum of cash provided by operating activities and cash used for investing activities.

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. The group occasionally utilizes derivative financial instruments, without pursuing systematic hedge accounting as such in terms of IAS 39. However, hedge accounting can be applied to individual material transactions.

2.2 Interest rate risk

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

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

2.3 Credit risk

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

Credit risks are minimized by continuous monitoring of overdue payments from counterparties and by verifying the creditworthiness of new business partners. Any necessary provisions are made or released continuously against income. These activities are primarily pursued at the local level. Due to the differences in business models and customer structures, no generally valid credit limits for the group as a whole are applied. Depending on transaction and customer, credit risks can be hedged by means of letters of credit or bank guarantees.

2.4 Currency risks

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

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

2.5 Liquidity risk

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

2.6 Capital risk

The Adval Tech Group aims to maintain a sound capital base. This exists if the equity ratio exceeds 20%.

3. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

Company	Registered office		Share capital	Equity holding
Adval Tech Holding Ltd	Niederwangen, Switzerland	TCHF	14,600	
Adval Tech Management Ltd	Niederwangen, Switzerland	TCHF	100	100%
Styner+Bienz FormTech Ltd	Niederwangen, Switzerland	TCHF	3,050	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
QSCH Termelő és Kereskedelmi Kft.	Szekszárd, Hungary	TEUR	12	100%
AWM Mold Tech Ltd	Muri (AG), Switzerland	TCHF	600	100%
AWM Plast Tech Ltd	Merenschwand, Switzerland	TCHF	600	100%
AWM Plastpack Ltd	Muri (AG), Switzerland	TCHF	600	100%
Teuscher Kunststoff-Technik Ltd	Grenchen, Switzerland	TCHF	2,000	100%
AWM Swiss Technology Ltd	Hong Kong, China	THKD	10	100%
AWM Mold Tech Trading (Shanghai) Co. Ltd	Shanghai, China	TUSD	1	100%
AWM Mold Service US Inc.	Beverly, MA, USA	TUSD	1	100%
Foboha Holding GmbH	Haslach, Germany	TEUR	25	100%
Foboha GmbH	Haslach, Germany	TEUR	512	100%
Foboha US Inc.	Beverly, MA, USA	TUSD	1	100%
Omni Investors Pte. Ltd	Singapore	TUSD	13,517	100%
Omni Industries Holdings Pte. Ltd	Singapore	TUSD	56,885	100%
Omni Plastics (Thailand) Co., Ltd	Rayong, Thailand	TTHB	40,000	100%
Omni Plastics (Suzhou) Co., Ltd	Suzhou, China	TUSD	4,160	100%
Omni Plastics (Xiamen) Co., Ltd	Xiamen, China	TUSD	3,100	100%
Omni Precision Sdn. Bhd.	Johor, Malaysia	TUSD	505	100%
Omni Plastics (Shanghai) Co., Ltd	Shanghai, China	TUSD	1,500	100%
Omni Engineering Shanghai Co., Ltd	Shanghai, China	TUSD	2,800	100%
Omni Industries Tech Centre (Suzhou) Co., Ltd	Suzhou, China	TUSD	3,000	100%
Omni Plastics Pte. Ltd	Singapore	TUSD	4,241	100%
Omni Manufacturing Services S.A. de C.V.	Querétaro, Mexico	TUSD	3,500	100%
Omni HR Resource Services S.A. de C.V.	Querétaro, Mexico	TUSD	5	100%

The following changes took place in the scope of consolidation in the year under review:

Adval Tech Holding Ltd indirectly acquired 100% of the share capital of Omni Investors Pte. Ltd in Singapore via two group companies in January 2008. The Omni Group, of which Omni Investors Pte. Ltd is the holding company, comprises 12 companies operating primarily as manufacturers of plastic injection molded components. Two companies in the group manufacture plastic injection molds. The Omni Group has manufacturing plants in China, Malaysia, Mexico and Thailand. Omni's management is based in Singapore. The acquisition of the Omni Group enables Adval Tech to achieve the global presence which is important for its customers and at the same time increases the share of sales represented by the less cyclical business with components and subassemblies.

The income statement and balance sheet of the Omni Group were integrated in the consolidated financial statements as of January 2008. Two contracts of sale were concluded for the purchase of the shares, for 85.7% (first tranche) and 14.3% (second tranche) of the shares, respectively. The purchase price for the first tranche was paid in January 2008. A compensation payment was made to Adval Tech in June 2008 on the basis of the Omni Group's final, normalized operating earnings for the 2007 financial year. This compensation payment was deducted from the cost of acquisition. The purchase price for the second tranche depends on the Omni Group's normalized operating earnings (EBITDA) for the 2009 financial year, multiplied by a factor, and will become due for payment in the first half of 2010. The existing business plan on the date of acquisition provided the basis for calculating the cost of acquisition. The minimum compensation payment is zero and there is no upper limit. The potential future nominal compensation payment is based on this principle.

The cost of acquisition relating to this merger amounted to CHF 86.2 million. The net cash payment for the first tranche accounted for CHF 63.1 million of this amount. The present value of the purchase price for the second tranche amounted to CHF 22.7 million on the date of acquisition and was posted to "Other long-term liabilities." A further CHF 1.7 million of directly attributable costs in connection with the acquisition was posted to "Other operating expenses."

Calculation of the cost of acquisition also took the following factors into account: Taking over existing customer orders, manufacturing location in Asia, reinforcement of the less cyclical business with volume components, potential for achieving a global offering of products and services by the Adval Tech Group at a single stroke. The two last-named factors in particular were the basis for the amount of goodwill stated in the balance sheet.

The initial balance sheet of the Omni Group at January 16, 2008, conforming to group valuation principles was as follows:

CHF 1,000	IFRS book values prior to consolidation	Included in the consolidated balance sheet
Liquid assets	5,932	5,932
Other current assets	41,008	41,008
Tangible fixed assets	25,697	25,697
Intangible assets	1,633	4,838
Deferred tax assets	1,544	1,544
Short-term liabilities	-42,375	-42,375
Long-term liabilities	-18,819	-19,395
Net assets acquired	14,620	17,249
Purchase price		86,230
Goodwill		68,981

Existing customer relationships were capitalized with a total value of CHF 4.8 million on the date of acquisition. Goodwill included in the consolidated balance sheet on the date of acquisition thus amounts to CHF 69.0 million. Goodwill on the balance sheet is not tax-deductible.

The fair value of the possible payment for the second tranche of shares in Omni Investors Pte. Ltd which would be due in 2010 was calculated on the basis of estimated operating earnings before depreciation (EBITDA). It amounts to CHF 10.0 million as of December 31, 2008. The calculations are based on a discount rate of 4% and an assumed EBITDA for 2009 of CHF 12.9 million for the Omni Group. Compared to the date of the initial consolidation, "Other long-term liabilities" were CHF 12.7 million lower as of December 31, 2008. This reduction was attributable to a forecast decline of CHF 15.1 million in EBITDA at the Omni Group for 2009 based on the revised business plan.

The fair value of "Accounts receivable" amounts to CHF 32.2 million and includes CHF 26.5 million of trade accounts receivable, of which CHF 0.2 million is regarded as unrecoverable.

The Omni Group has generated total income of CHF 102.2 million and posted a loss of CHF 3.8 million since its initial consolidation. If initial consolidation had taken place on January 1, 2008, instead of January 16, 2008, this would have had only a marginal impact on the consolidated income statement in respect of sales and profits.

Total goodwill and changes in it are included in "Intangible assets."

Adval Tech Holding Ltd acquired 100% of the share capital of QSCH Termelő és Kereskedelmi Kft. in Szekszárd, Hungary, at the end of April 2007. This company operates as a supplier to the automotive industry. Specifically, stamped and formed components and lamps are manufactured, assembled and coated. The company was included in the consolidated accounts and integrated in the Stamping and Forming Segment as of May 1, 2007.

The cost of acquisition totaled CHF 8.5 million, consisting of CHF 8.2 million in cash and CHF 0.3 million for external consulting and support.

Calculation of the cost of acquisition also took the following factors into account: Manufacturing location in Eastern Europe, taking over existing customer orders, expertise and experience with the transfer of production contracts.

The balance sheet of QSCH Termelő és Kereskedelmi Kft. at May 1, 2007, was as follows:

CHF 1,000	IFRS book values prior to consolidation	Included in the consolidated balance sheet
Liquid assets	403	403
Other current assets	3,723	3,723
Tangible fixed assets	11,297	12,661
Intangible assets	0	119
Deferred tax assets	580	342
Short-term liabilities	-8,931	-8,931
Interest-bearing long-term liabilities	-5,025	-5,025
Net assets acquired	2,047	3,292
Purchase price and acquisition costs		8,544
Goodwill		5,252

Existing customer relationship was capitalized with a value of CHF 0.1 million on the date of acquisition. Goodwill included in the consolidated financial statements thus amounts to CHF 5.3 million.

The new subsidiary has generated total income of CHF 14.3 million and a net loss of CHF 1.4 million since its initial consolidation. If the company had been acquired as of January 1, 2007, the group's total income in 2007 would have been CHF 7.8 million higher, and net profit would have been some CHF 0.5 million higher.

Teuscher Kunststoff-Technik AG and Giesserei & Metallwarenfabrik Josef Rieger AG, both in Grenchen, were also merged at the end of May 2007. The merger was completed in terms of commercial law as of January 1, 2007. The new company trades under the name of Teuscher Kunststoff-Technik AG.

Exchange rates

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

	on Dec. 31, 2008	Average in 2008	on Dec. 31, 2007	Average in 2007
BRL	0.45102	0.60015	0.63700	0.61873
CNY	0.15492	0.15616	0.15446	0.15798
EUR	1.48880	1.58742	1.65871	1.64318
HKD	0.13628	0.13912	0.14441	0.15387
THB	0.03078	0.03315	n.a.	n.a.
USD	1.05615	1.08311	1.12666	1.20042

4. TRADE ACCOUNTS RECEIVABLE

CHF 1,000	12/31/2008	12/31/2007
Not overdue	30,285	28,382
1–30 days overdue	11,007	9,411
31–90 days overdue	3,830	4,346
More than 90 days overdue	2,657	8,114
Total trade receivables (gross)	47,779	50,253
Provisions (allowance for doubtful receivables)	-846	-1,551
Total trade receivables (net)	46,933	48,702
Of which trade receivables from third parties	46,211	47,478
Of which trade receivables from related parties	722	1,224

Losses on receivables in the past three years have been in the range of 0.1% of total income. The balances stated in the balance sheet have been hedged on a case-by-case basis and depending on risk assessment with letters of credit or bank guarantees. The balance sheet at December 31, 2008, includes receivables of CHF 2.2 million (CHF 2.0 million in 2007) which are not overdue and whose term of payment has subsequently been extended.

The maximum default risk is equivalent to the stated book values.

The following three largest single customers account for net trade accounts receivable at December 31. The separate legal entities of customers are defined as single customers:

CHF 1,000	12/31/2008	12/31/2007
Largest accounts receivable of a single customer	1,930	2,211
Second largest accounts receivable of a single customer	1,387	2,196
Third largest accounts receivable of a single customer	1,268	2,012

Trade receivables can be allocated at book value (gross) to the following currencies:

CHF 1,000	12/31/2008	12/31/2007
CHF	8,634	13,903
EUR	19,672	29,652
USD	16,495	3,262
BRL	882	3,410
CNY	506	0
Others	1,590	26
Total trade receivables	47,779	50,253

Provisions on the receivables are as follows:

CHF 1,000	12/31/2008	12/31/2007
Total on January 1	-1,551	-975
Provisions made	-460	-857
Utilized	918	0
Released	239	285
Currency translation differences	8	-4
Total on December 31	-846	-1,551

Individual provisions are made for receivables in excess of CHF 10,000. The bad debt provision required is based on estimates, empirical values and the age structure of the receivables, on bankruptcy applications already known of, legal proceedings and political influence. The allowance for doubtful receivables is taken into account after age classification in the case of receivables involving an amount of less than CHF 10,000.

Losses on receivables charged to income in the year under review totaled CHF 0.4 million (CHF 0.0 million in 2007). Any losses are included in the income statement under other operating expenses.

5. OTHER RECEIVABLES

CHF 1,000	12/31/2008	12/31/2007
Receivables from positive replacement values of derivative financial instruments	21	316
Other short-term receivables	11,970	5,568
Advance payments to suppliers	3,967	4,906
Total other receivables	15,958	10,790

The other short-term receivables originate from both segments. They include VAT assets, the portion of finance lease claims due within one year and credit balances with insurers.

6. INVENTORIES AND WORK IN PROGRESS

	CHF 1,000	12/31/2008	12/31/2007
Trading goods	1,485	1,000	
Raw material	11,886	10,778	
Semi-finished and finished goods	40,833	40,561	
Work in progress	26,419	37,661	
Provisions	-17,817	-16,569	
Total inventories and work in progress	62,806	73,431	

The total inventories and work in progress includes CHF 3.0 million stated at net realizable value (CHF 1.5 million in 2007).

	CHF 1,000	12/31/2008		12/31/2007	
		Assets	Liabilities	Assets	Liabilities
Work in progress		37,516	-11,097	50,006	-12,345
Advance payments by customers		-11,097	21,662	-12,345	22,953
Net assets from work in progress		26,419	0	37,661	0
Net liabilities from work in progress		0	10,565	0	10,608

The manufacturing costs of orders reported under work in progress and valued using the percentage-of-completion method totaled CHF 14.1 million (CHF 21.1 million in 2007). The stated profit was CHF 2.6 million (CHF 3.6 million in 2007).

7. PREPAID EXPENSES AND ACCRUED INCOME

With a reduction of CHF 0.9 million, prepaid expenses and accrued income in the year under review were one-quarter lower than in the previous year. The increase in prepaid expenses and accrued income at the Injection Molding Segment, due also to the acquisition of Omni, was more than offset by reductions at the Stamping and Forming Segment and at group level.

8. TANGIBLE FIXED ASSETS

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

CHF 1,000	Land	Buildings	Production equipment and machinery	Other tangible fixed assets	Leased equipment	Installations under construction	Total
Cost							
at January 1, 2007	8,414	105,469	169,810	42,273	4,662	945	331,573
Changes in the scope of consolidation	739	2,766	8,875	843	0	-242	12,981
Capital expenditure in the year under review	3	3,831	10,595	3,271	225	4,646	22,571
Disposals	-1,500	-5,375	-6,720	-720	0	0	-14,315
Other changes	0	-314	-3,300	-948	0	-21	-4,583
Change in acc. translation diff.	43	495	2,188	373	0	19	3,118
at December 31, 2007	7,699	106,872	181,448	45,092	4,887	5,347	351,345
Changes in the scope of consolidation	0	6,812	16,268	1,827	0	791	25,697
Capital expenditure in the year under review	0	3,224	18,595	5,929	658	-2,316	26,090
Disposals	-1,223	-6,313	-13,237	-2,897	0	-111	-23,781
Other changes	0	-356	-412	-651	0	-230	-1,649
Change in acc. translation diff.	-154	-2,443	-10,254	-1,668	-13	-162	-14,694
at December 31, 2008	6,322	107,796	192,408	47,632	5,532	3,319	363,008
Accumulated depreciation							
at January 1, 2007	0	-33,635	-111,955	-30,509	-4,530	-37	-180,666
Changes in the scope of consolidation	0	-15	-311	-102	0	0	-428
Depreciation in the year under review	0	-3,621	-12,815	-4,001	-139	0	-20,576
Impairment provision	0	-1,738	0	0	0	0	-1,738
Impairment release							0
Disposals	0	1,010	6,243	726	0	0	7,979
Other changes	0	314	3,301	948	0	0	4,563
Change in acc. translation diff.	0	-88	-1,209	-233	0	0	-1,530
at December 31, 2007	0	-37,773	-116,746	-33,171	-4,669	-37	-192,396
Changes in the scope of consolidation	0						0
Depreciation in the year under review	0	-4,593	-16,831	-4,530	-525	0	-26,479
Impairment provision							0
Impairment release							0
Disposals	0	2,822	12,476	2,627	0	0	17,925
Other changes	0	11	497	536	0	360	1,404
Change in acc. translation diff.	0	491	5,543	1,027	10	-8	7,063
at December 31, 2008	0	-39,042	-115,061	-33,511	-5,184	315	-192,483
Book values							
at January 1, 2007	8,414	71,834	57,855	11,764	132	908	150,907
at December 31, 2007	7,699	69,099	64,702	11,921	218	5,310	158,949
at December 31, 2008	6,322	68,754	77,346	14,121	348	3,634	170,525

CHF 1,000	Land	Buildings	Production equipment and machinery	Other tangible fixed assets	Leased equipment	Installations under construction	Total
Of which leased installations (finance leases)							
at January 1, 2007	1,500	4,701	2,959	42	0	0	9,202
at December 31, 2007	0	0	3,075	175	0	0	3,250
at December 31, 2008	0	0	1,032	261	0	0	1,293
Of which for disposal (book values)							
at January 1, 2007							0
at December 31, 2007	1,223	3,820	0	0	0	0	5,043
at December 31, 2008							0

The property in Grenchen was sold in mid-2008 and continues to be utilized on lease. The plant and equipment in the manufacturing premises for disposal were not part of the sale. Additional amortization of CHF 0.8 million on the property was charged to income in 2007 in this connection.

The leased machinery and equipment and other tangible fixed assets at the end of 2008 relate to manufacturing equipment at companies in both segments.

Orders totaling CHF 6.4 million were outstanding on December 31, 2008, for capital goods which had not yet been delivered or invoiced and were therefore not yet included in tangible fixed assets (CHF 7.3 million in 2007).

9. INCOME FROM LEASING TRANSACTIONS

Leasing contracts have been concluded with customers for dies and molds with which Adval Tech manufactures components. Rental payments are used to amortize the cost of the manufacturing equipment and in most cases depend on the number of components delivered. The rental income to be expected from these contracts in future is:

	CHF 1,000	12/31/2008	12/31/2007
within one year	141	79	
in two to five years	111	139	
after more than five years	0	0	
Total future rental income	252	218	

10. 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 molds and dies used for volume component manufacture. Amortization payments usually depend on the number of components delivered per period, with a minimum amount agreed for all amortization payments.

	CHF 1,000	12/31/2008	12/31/2007
Receivables from finance lease contracts	249	220	
Other long-term receivables	650	738	
Long-term loans	29	1,194	
Total financial assets	928	2,152	

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

	CHF 1,000	12/31/2008	12/31/2007
within three months	167	295	
in three to twelve months	500	410	
in two to five years	249	220	
after more than five years	0	0	
Total future leasing income	916	925	

The nominal value of these credits totals CHF 1.0 million (CHF 1.0 million in 2007). The amounts due for payment within one year are included in other short-term receivables.

II. INTANGIBLE ASSETS

The other intangible assets mainly represent the value of the customer relationships gained through the acquisitions. In the year under review, no intangible assets valued were generated in-house (CHF 0.5 million in 2007).

Intangible assets in 2008:

CHF 1,000	Goodwill	Capitalized development costs	Others	Total
Cost				
at December 31, 2007	8,170	1,842	1,679	11,691
Changes in the scope of consolidation	68,981	0	4,838	73,819
Capital expenditure in the year under review	0	0	26	26
Impairment provision				0
Impairment release				0
Disposals				0
Other changes				0
Change in accumulated translation difference	-6,891	-34	-444	-7,369
at December 31, 2008	70,260	1,808	6,099	78,167
Accumulated depreciation				
at December 31, 2007	-919	-444	-1,315	-2,678
Changes in the scope of consolidation				0
Depreciation in the year under review	0	-449	-693	-1,142
Impairment provision				0
Impairment release				0
Disposals				0
Other changes				0
Change in accumulated translation difference	0	28	61	89
at December 31, 2008	-919	-865	-1,947	-3,731
Book values				
at December 31, 2007	7,251	1,398	364	9,013
at December 31, 2008	69,341	943	4,152	74,436

Intangible assets in 2007:

CHF 1,000	Goodwill	Capitalized development costs	Others	Total
Cost				
at December 31, 2006	2,906	1,357	1,557	5,820
Changes in the scope of consolidation	5,252	0	119	5,371
Capital expenditure in the year under review	0	475	2	477
Disposals				0
Other changes				0
Change in accumulated translation difference	12	10	1	23
at December 31, 2007	8,170	1,842	1,679	11,691
Accumulated depreciation				
at December 31, 2006	-919	-141	-950	-2,010
Changes in the scope of consolidation				0
Depreciation in the year under review	0	-300	-365	-665
Impairment provision				0
Impairment release				0
Disposals				0
Other changes				0
Change in accumulated translation difference	0	-3	0	-3
at December 31, 2007	-919	-444	-1,315	-2,678
Book values				
at December 31, 2006	1,987	1,216	607	3,810
at December 31, 2007	7,251	1,398	364	9,013

The research and development expenditure included in the income statement totaled CHF 0.7 million (CHF 1.7 million in 2007).

The goodwill arising from the acquisition of Teuscher Kunststoff-Technik AG was verified in the fourth quarter of 2008. This showed that the goodwill has maintained its value. This examination was based on the business plan approved by the Board of Directors for the current year and the coming three years. Planning assumes long-term growth of 2% and a discount rate of 8%.

The goodwill arising from the acquisition of QSCH Termelő és Kereskedelmi was verified in the fourth quarter of 2008. This showed that the goodwill has maintained its value. This examination was based on the business plan approved by the Board of Directors for the current year and the coming three years. Planning assumes long-term growth of 0.5% and a discount rate of 8%.

The goodwill arising from the acquisition of Omni Investors Pte. Ltd was verified in the fourth quarter of 2008. This showed that the goodwill has maintained its value. This examination was based on the business plan approved by the Board of Directors for the current year and the coming three years. Planning assumes long-term growth of 1% and a discount rate of 8%.

12. TRADE ACCOUNTS PAYABLE

CHF 1,000	12/31/2008	12/31/2007
Trade accounts payable to third parties	33,113	29,625
Trade accounts payable to related parties	15	164
Total trade accounts payable	33,128	29,789

Trade accounts payable can be allocated at book value to the following currencies:

CHF 1,000	12/31/2008	12/31/2007
CHF	9,306	13,327
EUR	11,471	14,322
USD	5,364	63
BRL	547	1,860
MXN	873	0
CNY	4,556	0
Others	1,011	217
Total trade accounts payable	33,128	29,789

13. SHORT-TERM INTEREST-BEARING LIABILITIES

	CHF 1,000	12/31/2008	12/31/2007
Banks		3,679	5,384
Related parties		298	317
Short-term leasing liabilities to third parties		366	443
Total short-term interest-bearing liabilities	4,343	6,144	

The short-term bank loans are covered by total liquid assets of CHF 31.8 million (gross). They are mainly current account overdrafts at interest rates based on LIBOR or EURIBOR.

14. OTHER SHORT-TERM LIABILITIES

	CHF 1,000	12/31/2008	12/31/2007
Advance payments by third parties		9,672	8,921
Advance payments by related parties		893	1,687
Other short-term liabilities to third parties		3,520	2,806
Other short-term liabilities to related parties		1,840	1,453
Liabilities arising from negative replacement values of derivative financial instruments		1,561	1,401
Total other short-term liabilities	17,486	16,268	

15. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2008	12/31/2007
Long-term leasing liabilities to third parties	95	274
Long-term interest-bearing loans to third parties	110,000	107,000
Total long-term interest-bearing liabilities	110,095	107,274

The long-term interest-bearing liabilities are bank loans. They are based mainly on a revolving credit facility concluded with a banking consortium in January 2008 for up to CHF 135 million, with a term of five years. The relevant contract was revised in July 2008 with reference to the increase made in share capital, without any material modification to its content. The credit facility is dependent on compliance with key financial statistics (levels of debt and interest cover, leverage ratio), all of which were complied with at the end of 2008. The amount of credit is continuously adjusted to current financial requirements in order to optimize financing costs.

The average interest charge in the year under review was 4.2% (4.2% in 2007).

16. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	12/31/2008	12/31/2007
Face value of liabilities arising from leasing contracts due		
within three months	102	178
in three to twelve months	285	279
in two to five years	100	288
in more than five years		
<i>Total future payment commitments</i>	487	745
less proportionate interest on the payments	-26	-28
<i>Net present value of liabilities arising from finance leases</i>	461	717
of which short-term leasing liabilities	366	443
of which long-term leasing liabilities	95	274
Net present value of liabilities arising from leasing contracts due		
within three months	93	175
in three to twelve months	273	268
in two to five years	95	274
<i>Total net present value</i>	461	717

17. OTHER LONG-TERM LIABILITIES

CHF 1,000	12/31/2008	12/31/2007
Other long-term liabilities to third parties	381	0
Other long-term liabilities to related parties	10,005	166
Total other long-term liabilities	10,386	166

The other long-term liabilities to related parties correspond mainly to the present value of the purchase price for the second tranche of shares in Omni Investors Pte. Ltd in Singapore, payable in the first half of 2010.

18. PROVISIONS

CHF 1,000	Warranty provisions	Payments to employees	Other provisions	Total
Long-term provisions at December 31, 2007	113	1,773	8	1,894
Pension assets at December 31, 2007	0	-421	0	-421
Short-term provisions at December 31, 2007	2,144	0	1,410	3,554
Total at December 31, 2007	2,257	1,352	1,418	5,027
Change in the scope of consolidation	0	0	3,932	3,932
Addition	335	138	1,202	1,675
Utilization	0	-14	-973	-987
Release of provisions no longer required	-242	-312	-2,339	-2,893
Difference arising from currency translation	-134	-57	-60	-251
Total at December 31, 2008	2,216	1,107	3,180	6,503
Long-term provisions at December 31, 2008	109	1,840	1,680	3,629
Pension assets at December 31, 2008	0	-733	0	-733
Short-term provisions at December 31, 2008	2,107	0	1,500	3,607
Total at December 31, 2008	2,216	1,107	3,180	6,503

"Other provisions" include CHF 1.0 million for a management bonus program at the Omni Group, which is likely to be disbursed in the first half of 2010, CHF 0.7 million relating to restructuring costs at AWM Mold Tech Ltd, the majority of which will accrue in 2009, and CHF 0.5 million relating to the cost of closing the manufacturing site of Styner+Bienz FormTech Ltd in Wolfwil, which will be completed in 2009. The remainder of CHF 1 million is made up of various items at the other group companies.

In the context of restructuring AWM Mold Tech Ltd, provisions on inventory values amounting to CHF 6.1 million were also charged to income, and costs of CHF 1.2 million for services in connection with the restructuring were deferred. Total costs charged for the restructuring of AWM Mold Tech in the 2008 annual financial statements amounted to CHF 8.0 million.

19. DEFERRED TAXES

Deferred income tax assets and liabilities arising from temporary differences were as follows at the end of the year under review:

CHF 1,000	Credits	Liabilities	Balance
Accumulated losses	4,777	0	4,777
Current assets	427	798	-371
Tangible fixed assets	388	10,474	-10,086
Other fixed assets	766	1,021	-255
Liabilities	174	48	126
Total at December 31	6,532	12,341	-5,809

2007:

CHF 1,000	Credits	Liabilities	Balance
Accumulated losses	1,903	0	1,903
Current assets	358	3,655	-3,297
Tangible fixed assets	252	11,445	-11,193
Other fixed assets	68	497	-429
Liabilities	122	280	-158
Total at December 31	2,703	15,877	-13,174

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

CHF 1,000	12/31/2008	12/31/2007
Deferred tax liability	8,875	14,200
Deferred tax asset	3,066	1,026
Total	5,809	13,174

The following tax losses have not yet been utilized and no deferred tax claim for them has been included in the balance sheet:

CHF 1,000	12/31/2008	12/31/2007
expiring in one year	100	0
expiring in two years	560	168
expiring in three years	3,981	0
expiring in four years	4,820	0
expiring in five years	3,726	1,252
expiring in more than five years	9,377	0
Total	22,564	1,420

20. STATEMENT OF SHARE CAPITAL

Share capital was as follows on December 31, 2008:

	Registered shares
At January 1, 2008	365,000
At December 31, 2008	730,000
Par value in CHF	fully paid
Dividend restrictions	20
Voting restrictions	none
Number of shares held by the Adval Tech Group on December 31	exist
	490

No shares were reserved for issue in respect of options or sales agreements in the year under review.

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application, if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Article 7 of the Articles of Incorporation of Adval Tech Holding Ltd dated June 24, 2004, purchasers of shares in excess of 5% of the registered capital stock recorded in the Commercial Register will not be entered with voting rights. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. Groups of individuals who are associated with each other and act in concert to circumvent the registration restrictions are regarded as a single purchaser. The Board of Directors can permit exceptions. In 2006, the Board of Directors granted an exception in favor of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. Beneficial ownership remained unaffected by this transaction. On January 30, 2007, the Board of Directors permitted an exception in favor of Willy Michel, which was granted in connection with a cooperation agreement.

Furthermore, these voting restrictions do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all share votes when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Rudolf Styner, Hansruedi Bienz, Einfache Gesellschaft Dreier). Fiduciary entries in the shareholders' register are only possible without voting rights.

The exceptions granted were confirmed 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 Ltd with regard to quorums conform to legal requirements.

21. ANALYSIS OF CAPITAL RISK

Shareholders' equity as a proportion of total assets amounted to 48.3% at December 31, 2008, and was therefore 8.8 percentage points higher than in 2007 (39.5%).

22. NET TURNOVER

CHF 1,000	2008	2007
Net income from deliveries and services	350,722	271,290
Income from manufacturing orders (valued using the percentage-of-completion method)	45,617	59,061
Total net turnover	396,339	330,351

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

23. COST OF MATERIALS AND SERVICES

Compared to the previous year, the cost of materials and services increased by CHF 33.6 million. As a proportion of total income it increased by 0.9 percentage points to 44.5%. The increase was due to the integration of Omni and to the decline at the Stamping and Forming Division and in the traditional business of the Injection Molding Division. At the Stamping and Forming Division the proportion of materials declined as a result of an adjustment to the business model with a customer and reduced utilization of outside services. At the Injection Molding Division the integration of Omni was the decisive factor in the increase in the proportion of materials.

24. PERSONNEL EXPENSES

The average number of employees increased by 1,778 to 3,055 in 2008, due primarily to acquisitions (1,277 in 2007). The number of employees totaled 2,838 at balance sheet date (1,379 in 2007).

25. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

In addition to the statutory social security schemes, the group operates defined-benefit plans as defined by IAS 19. These were appraised by an independent actuary as of January 1, 2009. The assets are almost exclusively managed in separate pension funds. Unless the plans are segregated from

the company, the relevant assets and liabilities are stated in the balance sheet.

The actuarial calculations according to IAS produced the following figures:

CHF 1,000	12/31/2008	12/31/2007
<i>Plans with separate pension funds:</i>		
Current value of plan assets	142,452	160,606
Net present value of benefits	150,959	150,812
Surplus (+) / shortfall (-)	-8,507	9,794
Unrecorded actuarial gains (-) / losses (+)	9,240	-9,373
Net status provision (-) / assets (+)	733	421
Provision for other payments to employees	1,355	1,217
Pension provisions from plans without separate pension funds	485	556
Total provisions for payments to employees	1,107	1,352

The assets of the plan included no direct investments in shares of Adval Tech Holding Ltd in the year under review and the previous year.

CHF 1,000	12/31/2008	12/31/2007
<i>Plans without separate pension funds:</i>		
Amounts included in the balance sheet:		
Asset value of pension commitments (from reinsurance)	621	707
Pension provisions	485	556
<i>Changes in assets and liabilities included in the balance sheet:</i>		
Pension provision at beginning of period	150,812	145,911
Current service expenses (net)	5,726	5,711
Interest expenses	4,902	4,373
Actuarial gains (+) / losses (-)	-4,306	-4,162
Payments made	-10,520	-5,085
Employees' contributions	4,345	4,064
Pension liabilities at end of period	150,959	150,812
<i>Changes in plan assets:</i>		
Plan assets at beginning of period	160,606	157,700
Expected income from plan assets	6,906	6,781
Actuarial gains (+) / losses (-)	-22,910	-6,918
Payments made	-10,520	-5,085
Employees' contributions	4,345	4,064
Employer's contributions	4,025	4,064
Pension assets at end of period	142,452	160,606

CHF 1,000	2008	2007
<i>Expenses recorded in the income statement:</i>		
Current service expenses		
Interest expenses	10,071	9,775
Income expected from plan assets	4,902	4,373
Employer's contributions	-6,906	-6,781
Total expenses for pension liabilities	3,722	3,303

Material actuarial assumptions	12/31/2008	12/31/2007
Discount rate	3.50%	3.25%
Income expected from plan assets	4.30%	4.30%
Future wage increases	2.00%	2.00%
Increase in future pension benefits	1.00%	1.00%

Other important actuarial assumptions are disability and mortality rates. These were taken into account in both years in conformity with EVK2000.

Plan assets are made up as follows:

Plan assets	12/31/2008		12/31/2007	
	CHF 1,000	in %	CHF 1,000	in %
Shares	25,444	18	33,469	21
Bonds	80,738	57	86,629	54
Real estate	25,652	18	26,029	16
Other assets	10,618	7	14,479	9
Total	142,452	100	160,606	100

CHF 1,000	2008	2007	2006	2005
Empirical adjustments				
- to pension liabilities	96	3,930	-25	5,498
- to plan assets	-22,910	-6,918	2,518	3,285
Plan assets	142,452	160,606	157,700	151,611
Pension liabilities	150,959	150,812	145,911	142,486

The income expected on plan assets has been estimated on the basis of the long-term investment strategy of the pension plans.

Employees' and employer's contributions expected in the 2009 financial year are estimated at CHF 8.5 million.

The actual investment income of the employee pension funds in the year under review was CHF -16.0 million (CHF -0.1 million in 2007).

26. OTHER OPERATING EXPENSES

	CHF 1,000	2008	2007
Maintenance, repair, replacements, operating materials	-20,887	-19,356	
Premises, energy	-17,232	-9,049	
Insurance, office and administration expenses	-13,308	-7,847	
Marketing, sales and distribution expenses	-17,502	-10,932	
Sundry operating expenses	-2,100	-3,277	
Total other operating expenses	-71,029	-50,461	

The integration of the Omni Group was the main reason for the increase in "Other operating expenses."

Sundry operating expenses include: capital taxes of CHF 0.3 million (CHF 0.1 million in 2007), losses of CHF 0.0 million on sales of tangible fixed assets (CHF 0.1 million in 2007), non-operating expenses of CHF 0.0 million (CHF 0.2 million in 2007).

27. FINANCIAL EXPENSES AND FINANCIAL INCOME

	CHF 1,000	2008	2007
Interest earned	757	647	
Currency gains	8,058	1,910	
Gains on derivative financial instruments	0	351	
Other financial income	1,925	1,427	
Total financial income	10,740	4,335	
Interest paid	-7,059	-4,468	
Bank charges and fees	-377	-128	
Depreciation financial assets	-2		
Currency losses	-9,646	-1,971	
Unrealized translation differences	-2,559	-1,139	
Losses on derivative financial instruments	-1,858	-34	
Other financial expenses	-1,439	-901	
Total financial expenses	-22,940	-8,641	
Financial result	-12,200	-4,306	

28. TAXES

CHF 1,000	2008	2007
Current income taxes	-2,648	-2,904
Change in provision for deferred taxes	6,899	40
Total tax expenses	4,251	-2,864

Transition from profit before taxes to tax expenses:

CHF 1,000	2008	2007
Profit before taxes	-13,485	11,152
Applicable tax rate	32.4%	29.3%
Tax expenses at applicable tax rate	4,374	-3,265
Impact of changes in the applicable tax rate on the provision for deferred taxes	14	882
Impact of utilization of non-capitalized tax loss carryforwards	0	394
Impact of tax rates differing from the applicable tax rate	92	-180
Impact of non-tax-deductible expenses	-1,799	-953
Impact of non-taxable income	2,597	220
Impact of non-inclusion of current-year losses in the balance sheet	-701	-183
Impact of the release of tax provisions / subsequent tax payments	-269	78
Impact of posting taxes on capital to operating expenses	315	83
Impact of tax benefits	466	0
Other	-838	60
Tax expenses in the income statement	4,251	-2,864

The applicable tax rate increased by 3.1 percentage points, primarily due to the higher pre-tax profit in countries with high tax rates. This was also attributable to the integration of the Omni Group.

29. EARNINGS PER SHARE

Earnings per share are calculated as follows:

	2008	2007
Net result (CHF 1,000)	-9,234	8,288
Average number of shares outstanding	603,595	364,755
Undiluted earnings per share (CHF)	-15.30	22.72
Diluted earnings per share (CHF)	-15.30	22.72

30. TAXES AND INTEREST ON BORROWINGS ACTUALLY PAID; NON-CASH TRANSACTIONS

Taxes actually paid in the year under review amounted to CHF 4.0 million (CHF 0.6 million in 2007). There was an outflow of CHF 5.4 million for interest on borrowings in 2008 (CHF 4.3 million in 2007). Inflows from interest income in the year under review totaled CHF 0.8 million (CHF 0.6 million in 2007).

31. SEGMENTAL REPORTING

The allocation of business activities to the group's two segments in 2008 is reflected in the following table:

CHF 1,000	Stamping and Forming Segment	Injection Molding Segment	Other units, eliminations	Total
Net turnover from deliveries and services	162,955	187,767	0	350,722
Income from manufacturing orders (valued using the percentage-of-completion method)	8,958	36,659	0	45,617
Net turnover from third parties and related parties	171,913	224,426	0	396,339
Total income from third parties and related parties	178,951	235,320	2,254	416,525
Intragroup income	339	1,966	14,788	17,093
Total income	179,290	237,286	-51	416,525
EBITDA	14,190	10,749	1,397	26,336
EBIT	5,580	-7,572	707	-1,285
Total assets (December 31)	112,277	294,711	2,825	409,813
Total liabilities (December 31)	88,303	243,118	-119,715	211,706
Capital expenditure				
– on tangible fixed assets	-14,929	-10,582	-579	-26,090
– on intangible assets	-26	-73,819	0	-73,845
Depreciation	-8,610	-18,321	-690	-27,621
Other non-cash items	1,678	-5,464	1,263	-2,523

2007:

CHF 1,000	Stamping and Forming Segment	Injection Molding Segment	Other units, eliminations	Total
Net turnover from deliveries and services	164,693	106,597	0	271,290
Income from manufacturing orders (valued using the per- centage-of-completion method)	4,516	54,545	0	59,061
Net turnover from third parties and related parties	169,209	161,142	0	330,351
Total income from third parties and related parties	181,938	166,013	604	348,555
Intragroup income	576	130	11,039	11,745
Total income	182,514	166,143	-102	348,555
EBITDA	17,368	19,545	1,524	38,437
EBIT	7,526	6,883	1,049	15,458
Total assets (December 31)	121,867	188,938	16,580	327,385
Total liabilities (December 31)	93,960	127,261	-23,076	198,145
Capital expenditure				
– on tangible fixed assets	-5,890	-16,045	-636	-22,571
– on intangible assets	-5,373	0	-475	-5,848
Depreciation	-9,842	-12,662	-475	-22,979
Other non-cash items	325	-2,310	-721	-2,706

The activities of the two segments and the group
structure are explained on page 13 ff.

Income by region is as follows:

	CHF 1,000	2008	2007
Net turnover	396,339	330,351	
– of which Europe, Middle East, Africa	228,022	235,589	
– of which America	92,396	57,389	
– of which Asia and Oceania	75,921	37,373	

Net turnover in the Europe, Middle East, Africa region includes CHF 8.1 million of turnover with related parties in 2008 (CHF 4.8 million in 2007).

Assets and capital expenditure by location are as follows:

	CHF 1,000	2008	2007
Total assets (December 31)	409,813	327,385	
– of which Europe, Middle East, Africa	336,867	308,770	
– of which America	21,379	14,166	
– of which Asia and Oceania	51,567	4,449	
Capital expenditure on tangible fixed assets, total	-26,090	-22,571	
– of which Europe, Middle East, Africa	-22,398	-21,967	
– of which America	-749	-598	
– of which Asia and Oceania	-2,943	-6	
Capital expenditure on intangible assets	-73,845	-5,848	
– of which Europe, Middle East, Africa	-23	-5,846	
– of which America	-3	-2	
– of which Asia and Oceania	-73,819	0	

32. DIVIDENDS PAID

The annual general meeting of Adval Tech Holding Ltd for the 2007 financial year, held on April 24, 2008, approved the payment of a gross dividend of CHF 7.00 on April 29, 2008, resulting in a total distribution of CHF 2.555 million. The distribution was deducted from shareholders' equity following the approval of the relevant motion by the annual general meeting.

33. INCREASE IN SHARE CAPITAL

The Annual General Meeting held on April 24, 2008, adopted a motion to increase the share capital by issuing 365,000 registered shares with a par value of CHF 20 each. The issue price was CHF 275 per share. The newly issued shares were underwritten and offered to existing shareholders for purchase. Trading in the newly issued shares on the SIX Swiss Exchange commenced on May 7, 2008.

34. PLEDGED ASSETS

CHF 1,000	12/31/2008	12/31/2007
Book value of pledged tangible fixed assets	1,399	2,160

The pledges listed serve as security for mortgages, other bank loans and credit lines. Furthermore, it should be noted that balances at sight held with banks can be used to cover loans granted at the same time in accordance with the banks' general conditions of business.

36. CONTINGENT AND FUTURE LIABILITIES

CHF 1,000	12/31/2008	12/31/2007
Contingent liabilities in favor of third parties	2,902	2,683
Liabilities arising from leases	17,276	5,314
Liabilities arising from operating leases	804	205

Contingent liabilities originate from guarantees issued as security for advance payments by customers, finance lease transactions and import duties. A cash outflow is deemed unlikely.

35. FIRE INSURANCE VALUES

CHF 1,000	12/31/2008	12/31/2007
Real estate	113,804	118,234
Other tangible fixed assets	447,504	291,859

The change is due primarily to the integration of Omni and the sale of the property in Grenchen.

Payments deriving from operating leases fall due as follows: CHF 0.6 million within one year, CHF 0.2 million within two to five years.

Future rental payments fall due as follows: CHF 5.0 million within one year, CHF 6.2 million in two to five years, CHF 6.1 million in more than five years.

37. FINANCIAL INSTRUMENTS

Market values are calculated on the basis of individual valuations of the open instruments on balance sheet date.

The total change in market value was CHF -1.9 million (CHF +0.3 million in 2007), see also note 27.

The following financial instruments for limiting financial risks existed on balance sheet date:

Interest rate risks:

Instrument	Contract value CHF 1,000	Replacement value CHF 1,000	
		positive	negative
Interest rate cap	65,000	21	0
Interest rate floor	35,000	0	840
Interest rate swap	15,000	0	685
Total	115,000	21	1,525

Interest rate caps are held in order to limit the risk of increases in interest rates. The hedges in place at the end of 2008 are valid until 2011 at the latest.

The figures for 2007 were as follows:

Instrument	Contract value CHF 1,000	Replacement value CHF 1,000	
		positive	negative
Interest rate cap	75,500	168	0
Total	75,500	168	0

Currency risks:

Currency	Instrument	Contract value CHF 1,000	Replacement value CHF 1,000	
			positive	negative
USD	Forward transactions	500		11
EUR	Forward transactions	1,100		25
Total			0	36

The above-mentioned options and forward transactions serve to hedge future USD payments arising from contracts concluded or agreements about to be concluded on balance sheet date. They mature in January 2009 at the latest.

The figures for 2007 were as follows:

Currency	Instrument	Contract value CHF 1,000	Replacement value CHF 1,000	
			positive	negative
USD	Options	1,590	148	0
USD	Forward transactions	64,000	0	1,401
Total		65,590	148	1,401

The allocation of financial instruments included in the balance sheet to the categories in IAS 39 and their impact on the income statement are as follows:

Category	12/31/2008	12/31/2007
<i>Assets:</i>		
Financial assets posted to income at fair value	21	1,358
Loans and receivables	63,744	60,371
Financial assets for disposal	25	29
<i>Liabilities:</i>		
Financial liabilities posted to income at fair value		
Hedging transactions	1,561	1,401
Other financial liabilities valued at continued acquisition cost	114,438	113,584

Gains and losses arising from currency translation differences in the categories of loans and receivables and other financial liabilities, as well as net interest income, are listed in note 27. The changes in value of financial assets posted to income at fair value are referred to in this note.

Bank expenses in the year under review amounted to CHF 0.4 million (CHF 0.1 million in 2007). Losses on receivables posted to income are shown in note 4.

38. RISK ASSESSMENTS OF FINANCIAL INSTRUMENTS

Risk policy regarding financial instruments is described in note 2. The sensitivity analyses required under IFRS 7 are set out below.

At balance sheet date the sensitivity analysis of interest rate risks is as follows:

Impact on pre-tax profit (in CHF 1,000)	12/31/2008	12/31/2007
Actual interest rate +1%	-1,075	-573
Actual interest rate -1%	1,691	644

At balance sheet date the sensitivity analysis of currency risks is as follows:

Impact on pre-tax profit (in CHF 1,000)	Exchange rate change in %		12/31/2008		Exchange rate change in %		12/31/2007	
	+	-	+	-	+	-	+	-
EUR/CHF	+5%	-5%	1,250	-1,250	+3%	-3%	915	-915
USD/CHF	+8%	-8%	119	-119	+8%	-8%	141	-141
BRL/CHF	+10%	-10%			+10%	-10%		

The following direct exposure for shareholders' equity results from the application of hedge accounting.

Impact on shareholders' equity (in CHF 1,000)	Exchange rate change in %		12/31/2008		12/31/2007	
	+	-	+	-	+	-
USD/CHF	+8%	-8%			5,798	-5,768

The BRL/CHF currency pairing displays no material sensitivity.

Available liquidity at balance sheet date, which is utilized as a key characteristic for assessing the liquidity risk, is as follows:

Liquidity ratio 2 (quick ratio) on balance sheet date amounted to:

	CHF 1,000	12/31/2008	12/31/2007
Liquid assets	31,829	19,451	
Receivables	62,891	59,492	
Short-term debt	78,721	74,611	
Liquidity ratio 2	120.3%	105.8%	

The book values of financial liabilities correspond approximately to their fair value. Gross cash out-

flows on financial liabilities (not discounted) are as follows:

CHF 1,000	Less than three months	Three to twelve months	Two to five years	More than five years
At December 31, 2007:				
Bank accounts	-5,384	0	0	0
Financial liabilities to related parties	-317	0	0	0
Derivative financial instruments	-75,342	0	0	0
Trade payables	-29,786	-3	0	0
Leasing liabilities	-178	-279	-288	0
Interest-bearing loans (unsecured)	0	0	-107,166	0
Total	-111,007	-282	-107,454	0
At December 31, 2008:				
Bank accounts	-3,679	0	0	0
Financial liabilities to related parties	-149	-149	0	0
Derivative financial instruments	-3,578	0	0	0
Trade payables	-32,423	-673	-32	0
Leasing liabilities	-102	-285	-100	0
Interest-bearing loans (unsecured)	0	0	-110,000	0
Total	-39,931	-1,107	-110,132	0

It should be noted that the cash inflows corresponding to the cash outflows are not set off in the above table. Furthermore, an outflow of funds amounting to CHF 10.0 million arising from other long-term liabilities is to be expected in the first half of 2010.

39. TRANSACTIONS WITH RELATED PARTIES

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

- the pension fund of Adval Tech Holding Ltd
- 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
- Finox AG, Burgdorf
- the members of the Board of Directors and group management
- Messrs Rudolf Styner, Frauenkappelen, and Hansruedi Bienz, Oberbottigen

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

Contributions of CHF 3.9 million to the pension fund of Adval Tech Holding Ltd, posted as expenses.

Liabilities to related parties on balance sheet date totaled CHF 13.0 million, of which CHF 10.0 million related to payment commitments arising from the purchase of the second tranche of shares of Omni Investors Pte. Ltd., Singapore, and CHF 1.8 million to outstanding contributions to the pension fund.

The members of the Board of Directors and group management received fees and salaries totaling CHF 2.3 million in the year under review. The regular employer's contributions to the pension funds for members of the Board of Directors and group management amounted to CHF 0.2 million (CHF 0.2 million in 2007). No payments other than regular employer's contributions were made to the pension funds for members of the Board of Directors or group management.

40. EVENTS OCCURRING AFTER BALANCE SHEET DATE

No events that would adversely affect the information provided by the 2008 consolidated accounts have occurred since balance sheet date. The dividend proposed by the Board of Directors for the year 2008 is indicated on page 96.

41. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements were released for publication by the Board of Directors of Adval Tech Holding Ltd and a motion for their approval was submitted to the annual general meeting of shareholders of Adval Tech Holding Ltd on March 24, 2009.



Report of the statutory auditor
to the general meeting of
Adval Tech Holding Ltd
Niederwangen

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Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Adval Tech Holding Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 42 to 88), for the year ended December 31, 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Peter Wittwer	Martin Köhli
Audit expert	Audit expert
Auditor in charge	

Berne, March 24, 2009

FINANCIAL REPORTS OF ADVAL TECH HOLDING LTD

I. BALANCE SHEET

CHF	12/31/2008	12/31/2007
Liquid assets	90,351	68,750
Receivables		
– from third parties	1,094,363	407,547
– from group companies	4,801,326	3,898,486
Prepaid expenses and accrued income		
– from third parties	888,850	1,440,907
Total current assets	6,874,890	5,815,690
Investments in group companies	50,800,386	46,056,326
Loans to third parties	0	1,164,360
Loans to group companies	209,291,014	117,648,948
Intangible assets	3,145,783	0
Total fixed assets	263,237,183	164,869,634
Total assets	270,112,073	170,685,324
Bank debt	1,534,619	4,696,291
Accounts payable	38,683	15,853
Other liabilities		
– to third parties	1,580,023	0
– to group companies	17,543	862,860
Accrued expenses	242,969	469,881
<i>Short-term liabilities</i>	<i>3,413,837</i>	<i>6,044,885</i>
Long-term liabilities		
– to third parties	90,000,000	87,000,000
– to group companies	2,700,000	250,000
Provisions	939,973	1,340,725
<i>Long-term liabilities</i>	<i>93,639,973</i>	<i>88,590,725</i>
Total liabilities	97,053,810	94,635,610
Share capital	14,600,000	7,300,000
General reserves	102,600,105	9,500,000
Reserve for treasury stock	145,420	71,800
Free reserves	14,950,227	15,023,847
<i>Share capital and reserves</i>	<i>132,295,752</i>	<i>31,895,647</i>
Balance brought forward	41,599,067	40,314,884
Net result for the year	-836,556	3,839,183
<i>Retained earnings</i>	<i>40,762,511</i>	<i>44,154,067</i>
Total shareholders' equity	173,058,263	76,049,714
Total liabilities and shareholders' equity	270,112,073	170,685,324

2. INCOME STATEMENT

CHF	2008	2007
Income from investments in group companies	3,000,000	1,800,000
Other income from third parties	4,499	4,751
Other income from group companies	641,876	640,030
Finance income from group companies	8,889,139	4,751,890
Finance income from third parties	2,945,857	213,311
Total operating earnings	15,481,371	7,409,982
Finance expenses, third parties	14,399,695	2,944,033
Financial expenses, related parties	657,636	0
Finance expenses, group companies	31,669	12,031
Business and administration expenses	383,860	376,355
Operating expenses	15,472,860	3,332,419
Amortization of intangible assets	786,446	0
Operating earnings before taxes	-777,935	4,077,564
Taxes	58,621	238,380
Net result	-836,556	3,839,183

3. APPENDIX

Accounting principles

The foregoing financial statements of Adval Tech Holding Ltd have been prepared in accordance with the accounting requirements stipulated by Swiss company law.

Treasury stock

In the course of the year under review, 245 shares were bought in addition to the 245 shares of treasury stock held on December 31, 2007. 490 shares of treasury stock were therefore held on December 31, 2008.

Investment holdings

The investment holdings of Adval Tech Holding Ltd on December 31, 2008:

Company		12/31/2008 Share capital 100%	Holding in %
Adval Tech Management Ltd, Niederwangen Management of subsidiaries	CHF	100,000	100
Styner+Bienz FormTech Ltd, Niederwangen Stamping and Forming Technology	CHF	3,050,000	100
Styner+Bienz do Brasil Ltda., São José dos Pinhais PR Stamping and Forming Technology	BRL USD	150,873 360,000	100 100
QSCH Termelő és Kereskedelmi Kft. Stamping and Forming Technology	EUR	12,000	100
AWM Mold Tech Ltd, Muri (AG) Injection Molding Technology	CHF	600,000	100
AWM Plast Tech Ltd, Merenschwand Plastic components	CHF	600,000	100
Teuscher Kunststoff-Technik Ltd, Grenchen Plastic components	CHF	2,000,000	100
AWM Swiss Technology Ltd, Hong Kong Service function in Asia	HKD	10,000	100
AWM Mold Service US Inc., Beverly, MA, USA Service function in America	USD	30	100
AWM Plastpack Ltd, Muri (AG) Plastic components	CHF	600,000	100
AWM Mold Tech Trading Co. Ltd, Shanghai Service function in Asia	USD	1	100
Foboha Holding GmbH, Haslach (D) Holdings in companies	EUR	25,000	100

Intangible assets

Intangible assets correspond to the residual value as of balance sheet date of costs in connection with the increase in share capital completed in May 2008. Intangible assets are amortized within five years.

Guarantees to third parties

As of December 31, 2008, Adval Tech Holding Ltd has issued guarantees to its bankers, to leasing companies and to customers in respect of a total of CHF 27,592,700. These serve to secure loans, credit lines and leasing transactions of subsidiaries of Adval Tech Holding Ltd.

Major shareholders

As of December 31, 2008, the following shareholders held more than 3% of the registered share capital recorded in the Commercial Register:

- Willy Michel 23.4%
- Artemis Beteiligungen II AG, Hergiswil .. 21.2%
- Rudolf Styner 10.1%
- Hansruedi Bienz 7.5%
- Lombard Odier Darier Hentsch
Fund Managers SA, Genf 6.9%
- Sarasin Investment Fonds AG, Basel 6.0%
- Einfache Gesellschaft Dreier 3.5%

Remuneration of the Board of Directors and group management

The following remuneration was paid to directors and officers in 2008:

All amounts in CHF	Function	Basic remuneration	Variable remuneration	Other remuneration	Total
Board of Directors (BD)					
Walter Grüebler	Chairman	70,000		12,000	82,000
Michael Pieper	Vice Chairman	50,000		9,000	59,000
Leonardo Attanasio	Director	40,000		11,600	51,600
Hans Dreier	Director	50,000		16,200	66,200
Willy Michel	Director	40,000		9,000	49,000
Josef Reissner	Director	40,000		36,440	76,440
Roland Waibel	Director	50,000		14,400	64,400
Total Board of Directors		340,000	0	108,640	448,640
Group management (GM)					
Total group management		1,828,302	25,000	38,420	1,891,722
of which highest-paid member (Jean-Claude Philipona, CEO)		439,213	0	0	439,213

2007:

All amounts in CHF	Function	Basic remuneration	Variable remuneration	Other remuneration	Total
Board of Directors (BD)					
Walter Grüebler	Chairman	70,000		6,000	76,000
Michael Pieper	Vice Chairman	50,000		5,000	55,000
Leonardo Attanasio	Director	40,000		6,000	46,000
Hans Dreier	Director	50,000		9,000	59,000
Willy Michel	Director	20,000		5,000	25,000
Josef Reissner	Director	40,000		56,000	96,000
Roland Waibel	Director	50,000		9,000	59,000
Total Board of Directors		320,000	0	96,000	416,000
Group management (GM)					
Total group management		1,356,419	540,000	21,064	1,917,483
of which highest-paid member (Jean-Claude Philipona, CEO)		429,213	140,000	5,266	574,479

The Board of Directors and group management are remunerated in cash only.

The additional fee paid to Josef Reissner was in connection with services rendered by him for a development project.

No remuneration was paid to former members of the Board of Directors or group management in the year under review.

Equity holdings of the Board of Directors and group management in Adval Tech Holding Ltd.

As of December 31, 2008, the individual members of the Board of Directors and group management (including closely associated persons) held the following numbers of shares in the company:

	Function	Number
Walter Grüebler	Chairman of the Board	2,102
Michael Pieper	Vice Chairman of the Board	155,486
Leonardo Attanasio	Director	100
Hans Dreier	Director / Head of Marketing and Logistics	12,776
Willy Michel	Director	170,986
Josef Reissner	Director	191
Roland Waibel	Director	200
Jean-Claude Philipona	CEO	224
Markus Reber	CFO	50
Thomas Meyer	Head of the Injection Molding Division	30

As of December 31, 2007, the individual members of the Board of Directors and group management (including closely associated persons) held the following numbers of shares in the company:

	Function	Number
Walter Grüebler	Chairman of the Board	1,051
Michael Pieper	Vice Chairman of the Board	74,206
Leonardo Attanasio	Director	15
Hans Dreier	Director / Head of Marketing and Logistics	9,454
Willy Michel	Director	80,300
Josef Reissner	Director	191
Roland Waibel	Director	25
Jean-Claude Philipona	CEO	112
Markus Reber	CFO	20
Thomas Meyer	Head of the Injection Molding Division	10

Risk management

Adval Tech Holding Ltd has a central risk appraisal system for both strategic and operating risks. All identified risks are evaluated (for risk of occurrence and extent of damage) and recorded in a risk inventory. This risk inventory provides the basis for detailed discussions held periodically by the Board of Directors and group management in order to verify that the risk inventory is up-to-date. Ongoing monitoring of the risk inventory is a management objective.

A risk appraisal is conducted for identified risks in the areas of accounting and financial reporting. The internal control system in the area of financial reporting ensures that appropriate checks are defined in order to reduce financial risks. Remaining risks are monitored.

4. PROPOSAL BY THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF PROFIT

At the disposal of the annual general meeting of shareholders		2008	2007
Balance brought forward	CHF	41,599,067	40,314,884
Net result for the year	CHF	-836,556	3,839,183
Retained earnings	CHF	40,762,511	44,154,067
Proposal by the Board of Directors			
Dividend of CHF 0.00 (CHF 7.00 in 2007) gross per registered share	CHF	0	2,555,000
Allocation to free reserves	CHF	0	0
Carried forward to new account	CHF	40,762,511	41,599,067
	CHF	40,762,511	44,154,067



Report of the statutory auditor
to the general meeting of
Adval Tech Holding AG
Niederwangen

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Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Adval Tech Holding AG, which comprise the balance sheet, income statement and notes (pages 90 to 96), for the year ended December 31, 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

We 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.

PricewaterhouseCoopers AG

Peter Wittwer	Martin Köhli
Audit expert	Audit expert
Auditor in charge	

Berne, March 24, 2009

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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 behavior 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.

