

advaltech

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ANNUAL REPORT



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KEY FIGURES OF THE ADVAL TECH GROUP

| | 2019 | 2018 | 2017 | Compar- able basis 2016 ¹⁾ | 2016 | 2015 |
|---|--------------------|-------|-------|---|--------------------|-------|
| Total income (CHF millions) ⁴⁾ | | | | | | |
| Group | 178.9 | 198.2 | 207.9 | 187.5 | 227.1 | 224.3 |
| Change in % | -9.7 | -4.7 | -8.5 | | 1.2 | -9.2 |
| Per employee (CHF thousands) | 144.3 | 144.9 | 152.2 | | 150.4 | 144.9 |
| Components segment | n.a. | n.a. | n.a. | | 180.3 | 153.1 |
| Molds segment | n.a. | n.a. | n.a. | | 48.6 ²⁾ | 74.4 |
| EBITDA (CHF millions) ⁴⁾ | | | | | | |
| Operating earnings before depreciation | 18.4 | 20.7 | 19.2 | 16.0 | 22.4 | 24.4 |
| in % of total income | 10.3 | 10.5 | 9.2 | | 9.9 | 10.9 |
| EBIT (CHF millions) ⁴⁾ | | | | | | |
| Operating earnings | 10.3 | 12.4 | 10.7 | 4.5 | 8.3 | 9.8 |
| in % of total income | 5.8 | 6.2 | 5.1 | | 3.7 | 4.4 |
| Net profit (CHF millions) | | | | | | |
| Net profit | 8.7 | 8.8 | 8.7 | | 39.7 | 0.6 |
| in % of total income | 4.9 | 4.4 | 4.2 | | 17.5 | 0.3 |
| Cash flow and capital expenditure (CHF millions) | | | | | | |
| Cash flow from operations | 4.2 | 13.7 | 14.5 | | 15.0 | 18.7 |
| Operative free cash flow ⁴⁾ | -3.8 | 11.3 | -2.6 | | 7.6 | 5.0 |
| Free cash flow ⁴⁾ | -4.0 | 12.5 | -5.1 | | 110.6 | 5.0 |
| Capital expenditure | -8.1 | -10.4 | -17.4 | | -7.6 | -9.2 |
| Components segment | n.a. | n.a. | n.a. | | -6.7 | -4.8 |
| Molds segment | n.a. | n.a. | n.a. | | -0.7 ²⁾ | -3.6 |
| Balance sheet figures (CHF millions) | | | | | | |
| Total assets | 162.3 | 179.6 | 172.9 | | 193.6 | 201.2 |
| Shareholders' equity | 126.4 | 123.5 | 117.3 | | 133.2 | 64.6 |
| in % of total assets | 77.9 | 68.8 | 67.8 | | 68.8 | 32.1 |
| Employees | | | | | | |
| on December 31 | 1,179 | 1,288 | 1,399 | | 1,341 | 1,482 |
| Components segment | n.a. | n.a. | n.a. | | 1,326 | 1,096 |
| Molds segment | n.a. | n.a. | n.a. | | n.a. | 371 |
| Market capitalization (CHF millions) | | | | | | |
| on December 31 | 124.1 | 141.6 | 174.5 | | 171.6 | 115.3 |
| Selected key figures per share | | | | | | |
| Earnings (CHF) | 11.85 | 12.02 | 11.98 | | 54.45 | 0.82 |
| Dividend (CHF) | 2.70 ³⁾ | 4.20 | 4.00 | | 41.00 | 0.00 |
| Payout ratio % | 22.79 | 34.96 | 33.38 | | 75.31 | n.a. |
| P/E ratio on December 31 | 1.59 | 2.16 | 1.67 | | 17.45 | n.a. |

According to Swiss GAAP FER

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

2) Consolidated for eight months

3) Proposed by the Board of Directors

4) Alternative Performance Measures, see Note 3, pages 78 and 79

FINANCIAL YEAR 2019

EBITDA

18,4 MILLION CHF

EBIT

10,3 MILLION CHF

NET PROFIT

8,7 MILLION CHF

EBIT MARGIN

5,8 %

KEY FIGURES AND SHARE STATISTICS

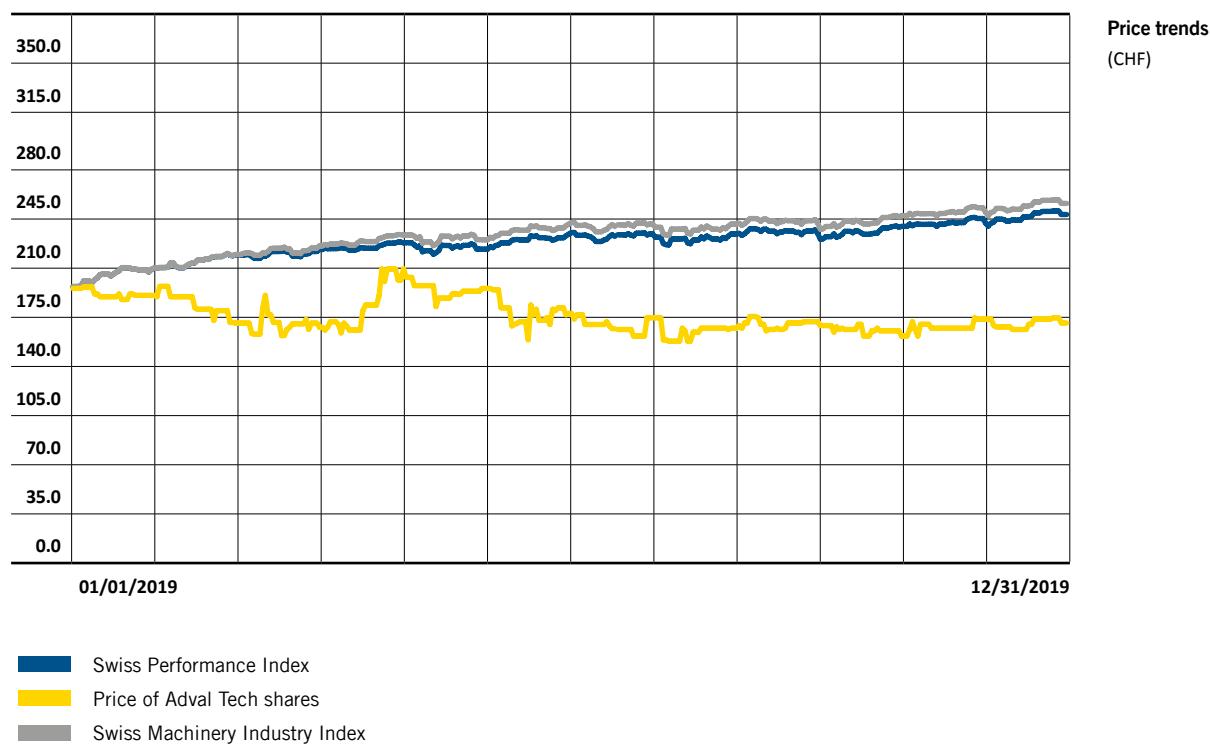
| | 2019 | 2018 |
|---|--------------------|----------------|
| Registered shares | 730,000 | 730,000 |
| EBIT per share (CHF) | 14.11 | 16.95 |
| Net profit per share (CHF) | 11.85 | 12.02 |
| Shareholders' equity per share (CHF) | 173.15 | 169.21 |
| Dividend per share (CHF) | 2.70 ¹⁾ | 4.20 |
| Payout ratio % | 22.79 | 34.96 |
| P/E ratio | 1.59 | 2.16 |
| Market prices (CHF) | | |
| Low (08/07/19, 12/12/18) | 156.00 | 189.00 |
| High (04/24/19, 01/08/18) | 208.00 | 252.00 |
| December 31 | 170.00 | 194.00 |
| Market capitalization (CHF millions) | | |
| Low (08/07/19, 12/12/18) | 113.88 | 137.97 |
| High (04/24/19, 01/08/18) | 151.84 | 183.96 |
| December 31 | 124.10 | 141.62 |

1) Proposed by the Board of Directors

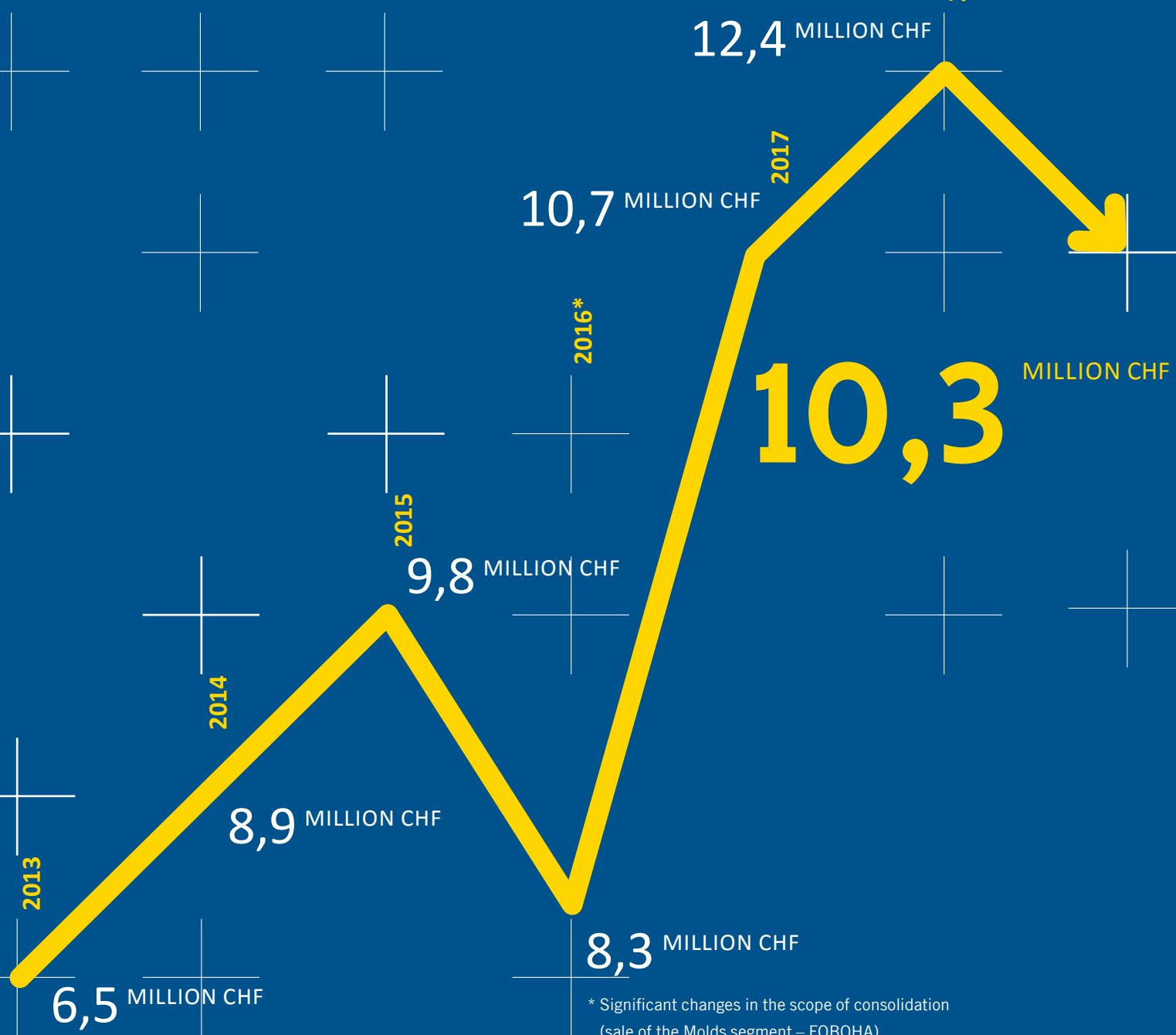
Share statistics

Swiss security no. 896 792

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



EBIT



DEAR SHAREHOLDERS

Our key market, the automotive industry, finds itself in the midst of sweeping changes. Technical, social and economic developments have fundamentally altered demand and the buying behavior of market participants. We stand at the very beginning of a radical transformation. In this challenging environment, the Adval Tech Group once again achieved a healthy result last year with an EBIT margin of 5.8%.

This result shows that we are on the right path with our focusing strategy. We are continually developing, from being a subcontractor for Tier 2 suppliers to a leading partner for Tier 1 suppliers and OEMs. The Adval Tech Group's organization is becoming increasingly global. Thanks to our one-stop strategy and strong capabilities in development and in parts and modules, we have the ability to serve customers as a single source along the entire value chain. We might develop an innovative idea for a new tool in Muri, construct a prototype in Italy, build the tool itself in China, and launch production in Mexico. In fiscal year 2019 we further expanded our position as a worldwide supplier of components and modules for the automotive industry. In China we successfully moved into a new production plant with top-of-the-line equipment. And in Europe we intensified collaboration in the metal/light metal segment between our locations in Germany and Hungary.

The development and production of components that can be used regardless of engine technologies is opening a wide range of development and design opportunities for us in the global automotive market. At the same time we continue to expand our capabilities in conventional engine technology.

To counter the effects of the volatility in the automotive market, our Group had decided to intensify its market activities in the technology business through the sale of high-speed presses from Adval Tech (Switzerland) Ltd. The effort has largely enabled us to offset the decline in the components business in the automotive sector.

The Niederwangen and Grenchen locations are ideally suited for production of metal and plastic composite parts. Adval Tech serves customers as a single-source supplier for these hybrid components. Further major opportunities are emerging for the Adval Tech Group in the development and production of parts for recyclable products. The Grenchen facility can also help

cushion the fluctuations in the automotive industry with related applications in other industries. Adval Tech has developed a process for industrial production of coffee capsules for a major Swiss retailer. We will start producing the capsules in Grenchen in 2020.

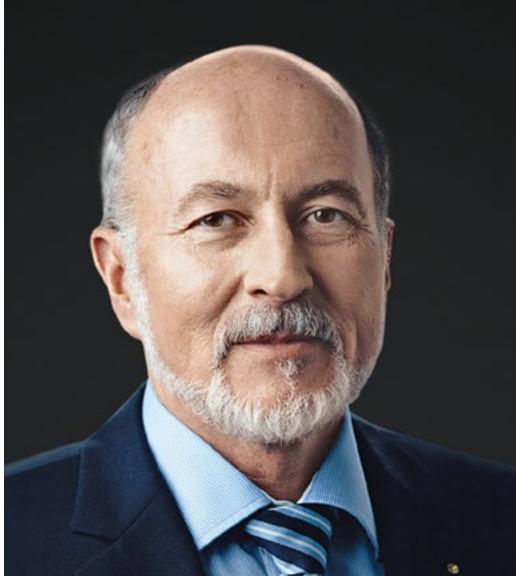
The uncertainties in the global economy as a whole, the current social and political upheavals as well as the unpredictable course of the coronavirus epidemic will present major challenges for Adval Tech in 2020. Thanks to many years of experience, state-of-the-art production facilities, a global network and a culture of innovation firmly established in our organization, we are well-equipped to further strengthen our position in international markets even in these turbulent times.

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

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

Niederwangen, April 2020

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

**WILLY MICHEL**

CHAIRMAN OF THE BOARD OF DIRECTORS

**RENÉ ROTHEN**

CHIEF EXECUTIVE OFFICER

After eight years as Chairman of the Board of Directors, I will not be standing for re-election at the 2020 Annual General Meeting. As main shareholder, however, I will continue to work to advance the interests of the Adval Tech Group. Mr. Roland Waibel will also not stand for re-election as a member of the Board of Directors at the Annual General Meeting 2020. I would also like to take this opportunity to thank him for his many years of great commitment to the Adval Tech Group. The Board of Directors will propose Mr. René Rothen, CEO, to the General Meeting as the new Chairman of the Board, as well as Mr. Jürg Schori as a new member of the Board of Directors.

Willy Michel, Chairman of the Board of Directors

In the past few years, Willy Michel has provided strategic leadership for the Adval Tech Group with foresight, expertise and commitment, and has set the direction for the Group. Without his efforts the Group would not be where it is today. The Board of Directors and Group Executive Management wish to thank Willy Michel for his prudence and his exceptional commitment to the success of our corporate group.

René Rothen, Chief Executive Officer

MANAGEMENT REPORT

BUSINESS PERFORMANCE OF THE GROUP

Despite the automotive industry's difficulties in 2019, the Adval Tech Group did well, essentially maintaining its EBIT margin despite a lower total income¹⁾ than in the previous year. The focus strategy is proving effective even in turbulent times: Adval Tech is concentrating on the automotive market and on applications similar to those for the automotive industry in terms of quantities, quality requirements, service life and production processes.

The 9.7% decline in total income¹⁾ to CHF 178.9 million (2018: CHF 198.2 million) is attributable to the general decline in demand in the automotive industry together with the sale of Adval Tech Thailand in August 2018. In 2019 the Group recorded EBITDA¹⁾ of CHF 18.4 million (previous year: CHF 20.7 million, -11.1%) and EBIT¹⁾ of CHF 10.3 million (previous year: CHF 12.4 million, -16.9%), resulting in an EBIT margin of 5.8% (previous year: 6.2%).

Net profit for 2019 amounted to CHF 8.7 million (previous year: CHF 8.8 million, including the one-off receipt of the final payment of CHF 2.9 million from sale of the Molds segment).

Adjusted for currency effects, total income¹⁾ for 2019 was CHF 183.5 million, EBITDA¹⁾ CHF 19 million and EBIT¹⁾ CHF 10.7 million.

Adval Tech had set itself the following targets for 2019:

- accomplish the planned relocation in China smoothly;
- get its numerous newly acquired production projects right from the start;
- strengthen cooperation between the facilities in Germany and Hungary;
- broaden the base for the Grenchen, Switzerland location with related applications from non-automotive industries;
- intensify the technology business (sale of high-speed presses from Switzerland) to offset the volatility of the automotive market.

Adval Tech met all these targets in the year under review.

Market developments

The shift in the automotive industry and its associated uncertainties continued to beset suppliers in 2019. Factors inhibiting demand included global trade policy disputes, uncertainties over the future of various engine systems and, not least, lower overall demand for new cars. Five megatrends are becoming ever clearer in the automotive industry: electric vehicles, networked and self-driving cars, shared mobility, digitalization and lightweight construction. Each of these developments will bring new market opportunities for the Adval Tech Group.

Electric vehicles

Society's growing sensitivity to climate change and the resulting tightening of legal restrictions on pollutant emissions have made reducing emissions and consumption an increasingly prominent development objective for automakers. Manufacturers are striving to improve the efficiency of combustion engines, transmissions, tires and aerodynamics. A further factor is mass-market acceptance of electric vehicles, albeit still hindered at present by comparatively high prices and the lack of charging infrastructure in many places. The hybrid automobile, combining a combustion engine with electric motors, has become established as a transitional technology.

1) Alternative Performance Measures, see Note 3, pages 78 and 79

Networked and self-driving vehicles

Networked and self-driving vehicles are a further important spur to technological innovation. According to Commerzbank's industry report "Automotive Suppliers in Germany, 2019," 80% of newly registered cars in Germany are already network-enabled. Safety and driver assistance systems along with information and communication systems are becoming increasingly common even in compact vehicles. Before self-driving cars can be brought to market, however, there are still high legal hurdles to overcome. Nor has the development of artificial intelligence yet advanced to the point where drivers can hand over control of their cars to technology for extended periods.

Shared Mobility

Changing mobility needs have heightened demand for car sharing services in many major cities, giving rise to entirely new business models along the way. This trend also impacts the design of various auto components, for example in the interior.

Digitalization

Digitalization is driving major changes to the structures of value creation and having fundamental effects on the production process. Flexible production networks are gaining in importance while conventional supply chains lose relevance. Integrating these networks on the supplier side requires a certain level of IT skill.

Lightweight construction

To meet stricter emissions requirements, the automotive industry is using not only new engine technologies and software but, increasingly, alternative materials as well. Lighter materials such as aluminum, plastics, high-tensile steel and carbon can significantly reduce the weight of passenger vehicles. At present, stability and cost remain limiting factors in the use of these materials.

Strategic focus

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

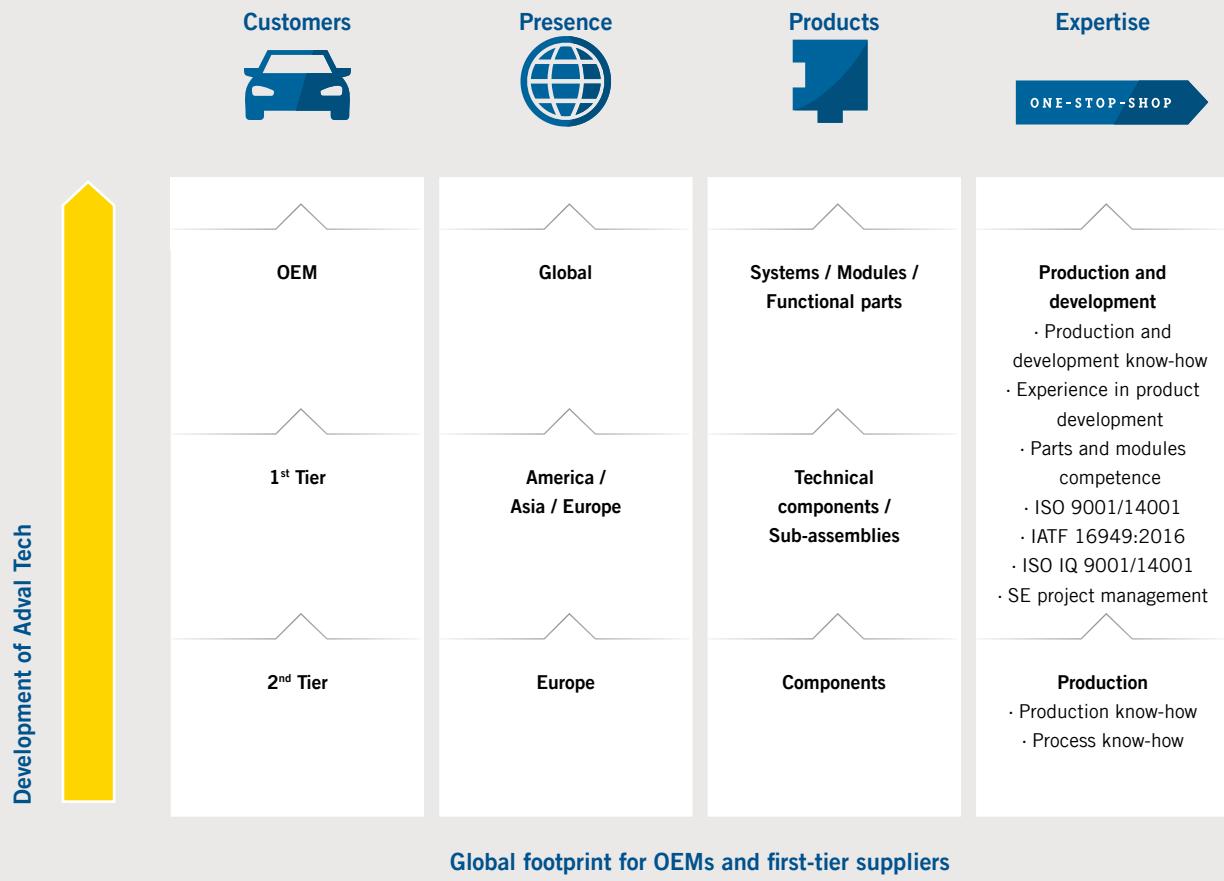
- from a component provider to a supplier of systems and modules
- from a parts manufacturer to a one-stop shop with development, parts and modular capabilities
- from a Europe-focused to a global partner
- from a supplier to second-tier providers to a partner of first-tier suppliers and OEMs
(see also chart on page 12)

Market success

In the past few years, Adval Tech secured several large orders which will ensure capacity utilization at individual sites for years to come. Again in 2019 the Adval Tech Group made important headway, particularly in the metal segment. For example, Adval Tech won several orders for a major automotive manufacturer (OEM) – the orders were acquired in Switzerland, the production tools will be manufactured in Germany, and the components will then be produced in Hungary. Also in the year under review, the plant in Germany obtained certification as a development services provider for metal applications for the automotive industry.

In Niederwangen, Adval Tech focuses on high-volume production of technically challenging rotationally symmetrical metal parts using high-speed presses. Adval Tech also intensified sales of high-speed presses in 2019. The presses' success on the market almost entirely offset the decline in the Group's components business in the automotive sector.

STRATEGY IN AUTOMOTIVE BUSINESS



At the Grenchen location Adval Tech has so far focused on a relatively small number of customers in the medical technology sector. In the past two years the facility, now under the management of Adval Tech Niederwangen, has developed and readied an innovative consumer goods project for series production. Adval Tech has developed a process for industrial production of coffee capsules for a major Swiss retailer. Made of pure aluminum, the newly developed capsules are fully recyclable. Adval Tech will commence production of these capsules in Grenchen in 2020.

The Group sees major opportunities for new product development in the field of sustainability. Consumers will still be looking out for recyclable products in the future.

The Niederwangen and Grenchen locations are predestined for production of hybrid parts. In Niederwangen, for example, Adval Tech stamps a rotationally symmetrical metal part which is then spray-coated with a plastic in Grenchen. This means Adval Tech customers can source hybrid components from a single supplier.

In the plastic components segment, Adval Tech began production of radiator shutter assemblies in December 2019. Orders for Seat, Audi and Škoda models are already scheduled for the production period through 2025. These assemblies are being produced in Hungary.

Adval Tech has recently succeeded in acquiring a few interesting and sizable contracts for the Mexico location as well, including one for a global producer of lighting technology elements. Series production is scheduled to start in 2020 and should run for around four years. Additionally, in early 2019 Adval Tech Mexico launched an innovative production process for a plastic safety feature in the vehicle interior. In the year under review Adval Tech acquired new orders from the same customer for further safety-related components for vehicle interiors. These will be produced in Mexico and used by various automotive brands in North America in a range of models. Adval Tech Mexico scored another acquisition success with a global automotive supplier specializing in mechatronics components and systems. This was the first time the customer had awarded a plastic components contract in Mexico. The production launch is scheduled for June 2021; production will continue for ten years and generate several million Swiss francs in sales.

Adval Tech has likewise scored several sales triumphs in hybrid and electric vehicles. Adval Tech (Germany), for example, will produce metal assemblies and components as the successor product for a battery holder.

But the electrification of the automobile is by no means limited to the battery; indeed, it extends to all systems. For example, there is demand for sophisticated structural components made of aluminum for lightweight bodywork and for components that can hold control modules, conduct heat, and position cable assemblies. Here too Adval Tech is working on several projects.

Core investments and infrastructure projects

In the year under review the Adval Tech Group invested heavily at several locations; for example for new stamping presses in Germany or for additional injection molding machines in Mexico and China and for the expansion of the necessary infrastructure.

DEVELOPMENT OF KEY FIGURES

When comparing the yearly key figures with the results for 2018, it is important to bear in mind two events. Firstly, the sale of subsidiary Adval Tech Thailand in August 2018, whose results were still included in the figures for eight months of 2018, and secondly, the receipt in the first half of 2018 of a final payment from the sale of the Molds segment in 2016. This led to one-time net result of CHF 2.9 million in 2018.

Total income¹⁾ and net turnover

Overall, the Adval Tech Group's total income¹⁾ was down at CHF 178.9 million (previous year: CHF 198.2 million) in 2019. This is due in part to the sale of Adval Tech Thailand in August 2018, but also to the general decline in demand in the automotive industry.

The Adval Tech Group's currency-adjusted total income¹⁾ for 2019 is some 7% below the previous year's figure. In 2019, the Adval Tech Group generated the bulk of sales (73%) with customers in Europe (2018: 71%). Asian customers' share of sales came to 8% (2018: 12%), 12% of Adval Tech's sales were to customers in Latin America (2018: 11%), 5% in North America (2018: 6%).

Net turnover from sales of components (2018: CHF 157.3 million) fell to CHF 128.6 million in 2019. The Adval Tech Group was able to compensate for most of this decline through sales of transfer presses from Switzerland.

Net turnover from sales of tools for component production, by contrast, was up from the previous year (by roughly CHF 4 million), primarily because Adval Tech has secured many new projects for production of plastic modules in Hungary and Mexico in recent years. With series production starting in late 2019 and early 2020, the tools for these projects were mostly sold in the past year.

Net turnovers of Swiss subsidiary Adval Tech (Switzerland) AG were encouraging, especially sales of transfer presses (technology business). So too were those of Hungarian subsidiary Adval Tech (Hungary) Kft, which produces plastic parts and assemblies as a direct supplier to auto manufacturers.

Profitability

EBITDA¹⁾ (earnings before interest, taxes, depreciation and amortization) amounted to CHF 18.4 million in the year under review (previous year: CHF 20.7 million). The EBITDA margin was 10.3% (2018: 10.5%). EBIT¹⁾ (earnings before interest and taxes) amounted to CHF 10.3 million (previous year: CHF 12.4 million), corresponding to an EBIT margin of 5.8% (2018: 6.2%). Adjusted for currency effects, the EBITDA margin was 10.3% and the EBIT margin 5.8%.

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

Extraordinary result

The extraordinary result essentially reflects the costs of relocation of production in Suzhou to a new site. The move was necessitated by the local government's termination of the lease at the old location due to planned new redevelopment. For further details please see page 100 of this Annual Report.

Net profit

Adval Tech Holding AG has taken various measures to adapt to amended Swiss tax legislation as of January 1, 2020. The anticipated tax impacts resulted in a one-time recognition of deferred tax assets, resulting in a small tax income for the Group for the year under review.

Net profit for 2019 came to CHF 8.7 million (2018: CHF 8.8 million).

Investments and net current assets

In 2019 the Adval Tech Group invested CHF 8.1 million (2018: CHF 10.4 million) primarily for stamping presses, injection molding machines and the expansion of the production area in China.

Cash flow from operating activities amounted to CHF 4.2 million in 2019 (2018: CHF 13.7 million), operative free cash flow¹⁾ to CHF 3.8 million (2018: CHF 11.3 million) and free cash flow¹⁾ to CHF -4.0 million (2018: CHF 12.5 million).

Operating net current assets¹⁾ (trade accounts receivable, inventories and trade accounts payable) stood at CHF 34.7 million at the end of December 2019 (December 31, 2018: CHF 26.0 million). Operating net current assets¹⁾ accounted for 20.2% of total income (December 31, 2018: 18.1%).

Equity ratio

The Adval Tech Group improved its equity ratio from 68.8 % at the end of 2018 to 77.8 % at the end of 2019.

Share price

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

Dividend payout

At the Annual General Meeting on May 14, 2020, the Board of Directors will propose a dividend of CHF 2.70 per share.

1) Alternative Performance Measures, see Note 3, pages 78 and 79

CUSTOMER SATISFACTION

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

EMPLOYEE SATISFACTION

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

Employee satisfaction is also measured regularly, every two years, at Adval Tech, next time in 2020.

The headcount decreased from 1288 FTEs (year-end 2018) to 1179 (year-end 2019). The average number of employees was 1240 in 2019 and 1368 in 2018.

RISK MANAGEMENT

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

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

Exchange rate risk for the Swiss sites intensified again during 2019.

More detailed information on financial risk management can be found on pages 77 and 78 of this Annual Report.

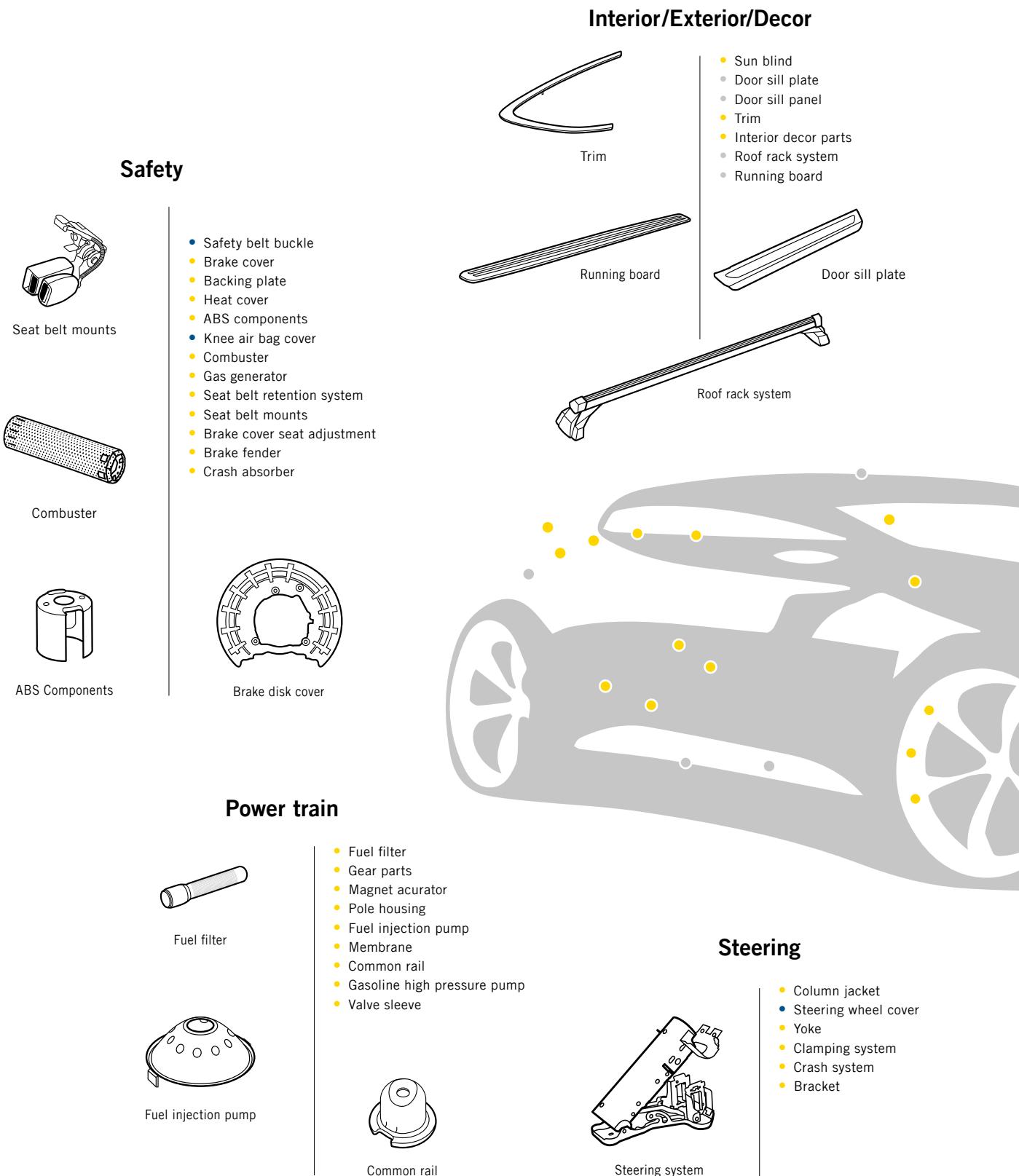
OUTLOOK

In mid-March 2020, the economy is severely affected in many areas around the world due to the coronavirus. This is particularly the case in the automotive industry. It is not yet possible to predict the medium and long-term consequences of this crisis.

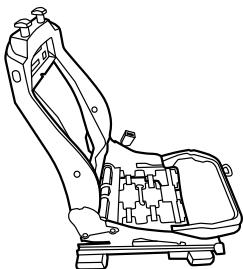
Moreover, everything in the development of the automotive industry indicates that the pure combustion engine will disappear in the next few decades and that new forms of mobility will prevail. Adval Tech intends to seize this development as an opportunity. The group has the skills and resources to play an active role in shaping the future of the automotive industry. Equipped with state-of-the-art facilities in all major sales markets, a top infrastructure and a solid, global organization.

In order to reduce its dependence on the volatility of the automotive market, Adval Tech 2020 will further intensify its market activities in the technology business (sale of transfer presses from Switzerland).

The Adval Tech Group is not giving specific guidance on total income or EBIT in 2020.

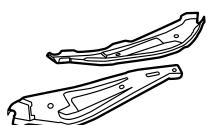


Structure

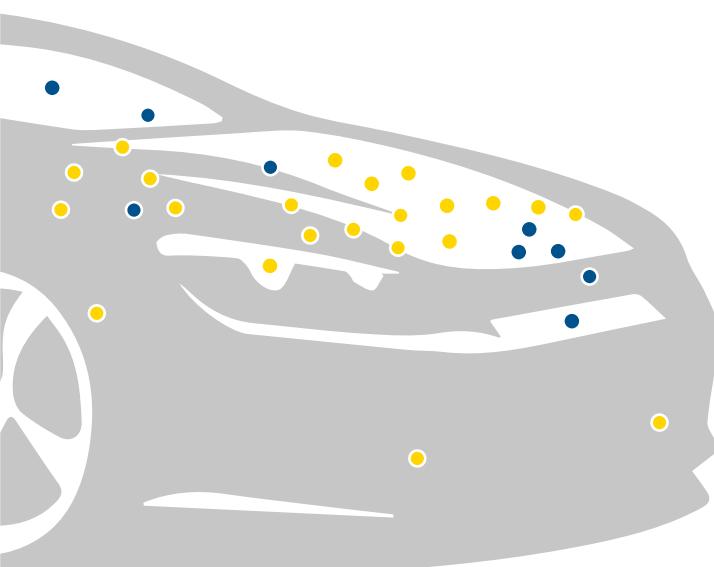


Seat structural parts

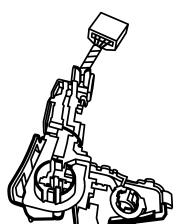
- Seat adjustment
- Door hinge
- Car body parts
- Cross members
- Seat structural parts
- Rear wiper
- Brackets
- Brackets for belt



Seat adjustment

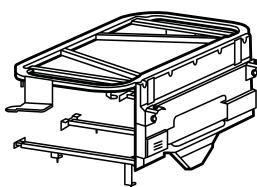


- Metal component
- Plastic component
- Composite



Rear light

E-Mobility/ Autonomous driving



Battery carrier

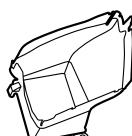


Lenseholder

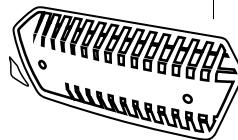


Oil guidance

Car front



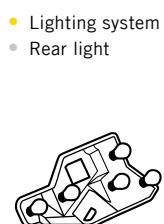
Air flow system



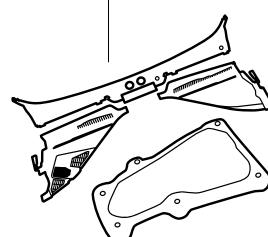
Front panel



Lighting



Lighting system



Air/water separation





BREAKING BOUNDARIES.

FINDING SOLUTIONS.

TOGETHER AS A TEAM.

EXPERIENCE MAKES THE DIFFERENCE

New major order in the field of cubic metal parts: The quantity ordered is high and the planned cooperation will be long – in the fall of 2019 Adval Tech signed an agreement to manufacture cubic metal parts for a premium automotive manufacturer. This prestigious contract is an important step into the future for the group.

The automotive industry is facing the greatest change in its history. Electric mobility, self-driving cars, light vehicles – the industry is on the move. Automotive manufacturers and suppliers around the globe must come together to deal with the challenges of international markets. "We at Adval Tech clearly see ourselves as part of this process", says Christoph Mani, Head Business Development Cubic Metal Parts at Adval Tech. "We want to play a focused and forward-looking role in shaping the current development". With solutions for sustainable, technically forward-looking and safe mobility in the future.

Parts for the vehicle of tomorrow

Adval Tech won a corresponding prestigious major order in the fall of 2019: "We have high expectations of the newly acquired project," says Christoph Mani. "The quantity required by the customer is large, and the cooperation with the automotive manufacturer in southern Germany will last for at least ten years. Indeed, the volume ordered is impressive: around nine million precisely stamped brake disk covers are required. At first glance these parts appear inconspicuous, but they have a great effect on the vehicle and the driver. The covers protect the brake disks from too much moisture and gross contamination. They thus prevent the vehicle from slipping. When designing its brake systems, the well-known automotive manufacturer was looking for the most economical solution possible. In order to increase efficiency, it will use the covers in different model series simultaneously. Today, most models from the premium car manufacturer are still based on the classic combustion engine. However, alternative versions with electronic drive systems are also planned. "The next ten years will see a lot of change in the automotive industry," Mani says, looking ahead to the future. "With this order, we will accompany the customer flexibly into the future – regardless of developments in drive technology."

Investment in the Endingen machine park pays off

In the competition for attractive customers, it was the smallest details that counted for Adval Tech. "We have proved that we are more precise, faster and more cost-effective than others," says Mani. The hurdles were high, and the customer took it very seriously. The automotive manufacturer has maintained relations with Adval Tech's manufacturing operations in Hungary for many years, and this has obviously been a positive experience. Cubic metal parts are now also being manufactured for the first time for this customer at Adval Tech's Endingen site. The automobile manufacturer's external specialists spent a whole two days inspecting the machinery in

southern Germany, and were impressed with what they found: the location received the coveted certification as a new supplier. A great success for Endingen showing that the investment in machinery and the team has paid off once again.

Know-how that pays off

Adval Tech has many years of experience and proven expertise in the development and production of brake disk covers. Numerous automotive manufacturers rely on the group's know-how. For the current order, however, the customer had two special requirements: the sheet metal is to be provided with a special foldback to prevent injuries during assembly, and the stamped parts must be completely clean on delivery. Even the smallest amount of grease could hinder the safe tightening of screws – and thus ultimately endanger the safety of the driver. Adval Tech's design engineers accepted the challenge and developed the appropriate solutions within the required timeframe. "We know what is important, we have the right machinery for the project, and have good suppliers in the immediate vicinity," Mani explains the acquisition success.

In the end it's the team that counts

The team in Endingen is currently working on the prototype of the cubic metal part. And now a further factor is emerging that will ultimately determine success in the development of innovative solutions: the well-coordinated, extremely motivated and highly qualified team at Adval Tech. From the initial idea through risk analysis to final quality control – the group's specialists not only work hand-in-hand across all locations, they also enjoy the challenging work. "This spirit is transferred to the project and the customer," Mani is convinced. "And if we do a good job, we may soon be producing the first subassemblies for the customer here in Endingen."



«I see the change in the automotive industry as an opportunity.

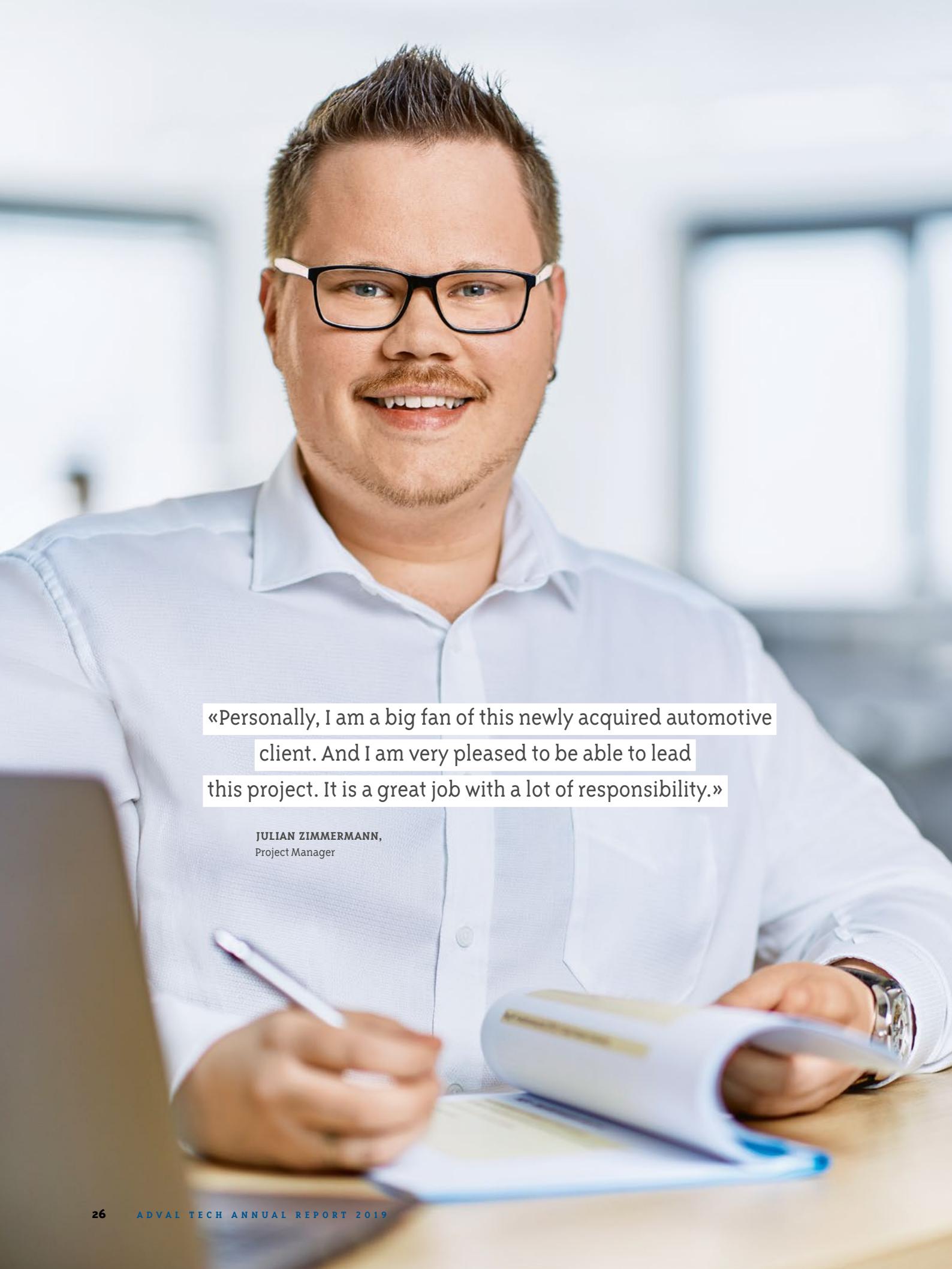
Adval Tech enjoys an excellent reputation in the production of complex structural and decorative parts and subassemblies. If we remain flexible, we can achieve an optimum position in the market for the next few years.»

CHRISTOPH MANI
Head Business Development Cubic Metal Parts



«A technological advantage can pay off. Thanks to our many years of expertise with cubic stamped parts, we have been able to fully meet the high technical requirements of the new customer.»

ECKHARD SCHNEIDER
Head Construction Department



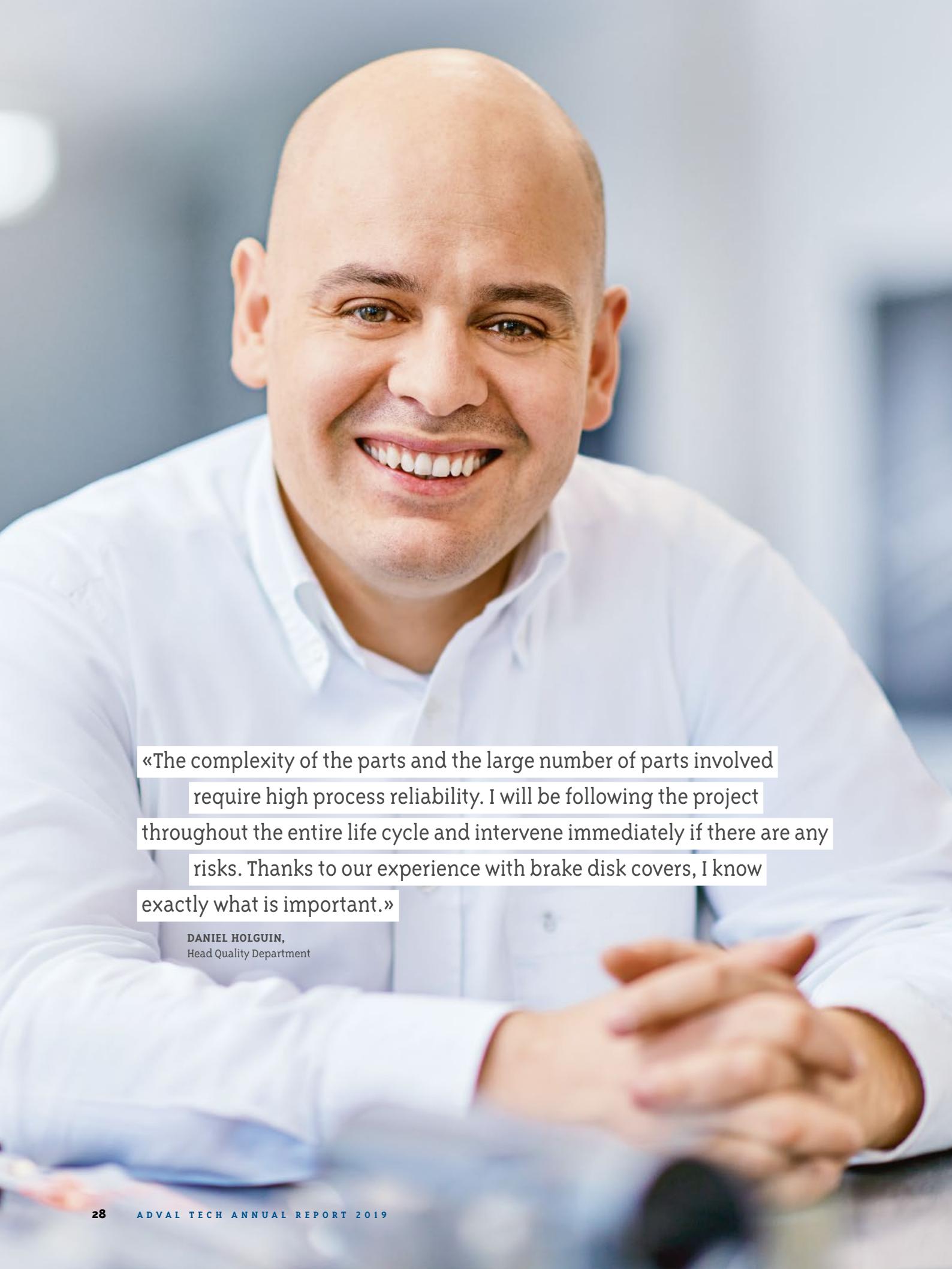
«Personally, I am a big fan of this newly acquired automotive client. And I am very pleased to be able to lead this project. It is a great job with a lot of responsibility.»

JULIAN ZIMMERMANN,
Project Manager



«The right price and time – these are important factors when it comes to awarding contracts. We have a lot of experience in the development and production of brake disk covers. This know-how enables us to calculate the project reliably.»

FRANK SCHILLAK,
Key Account



«The complexity of the parts and the large number of parts involved require high process reliability. I will be following the project throughout the entire life cycle and intervene immediately if there are any risks. Thanks to our experience with brake disk covers, I know exactly what is important.»

DANIEL HOLGUIN,
Head Quality Department



«The competition on the market is strong, the customer is demanding, and the part is highly complex. Everything simply has to be perfect. The upcoming production of the prototype is particularly exciting. It's worthwhile optimizing the stamped part at this stage so that there will be no unpleasant surprises later.»

DANIELA EBERL,
FMEA Moderator

MISSION STATEMENT, STRATEGY AND VALUES

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

Metal components and subassemblies

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

Plastic components

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

Vision

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

Mission

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

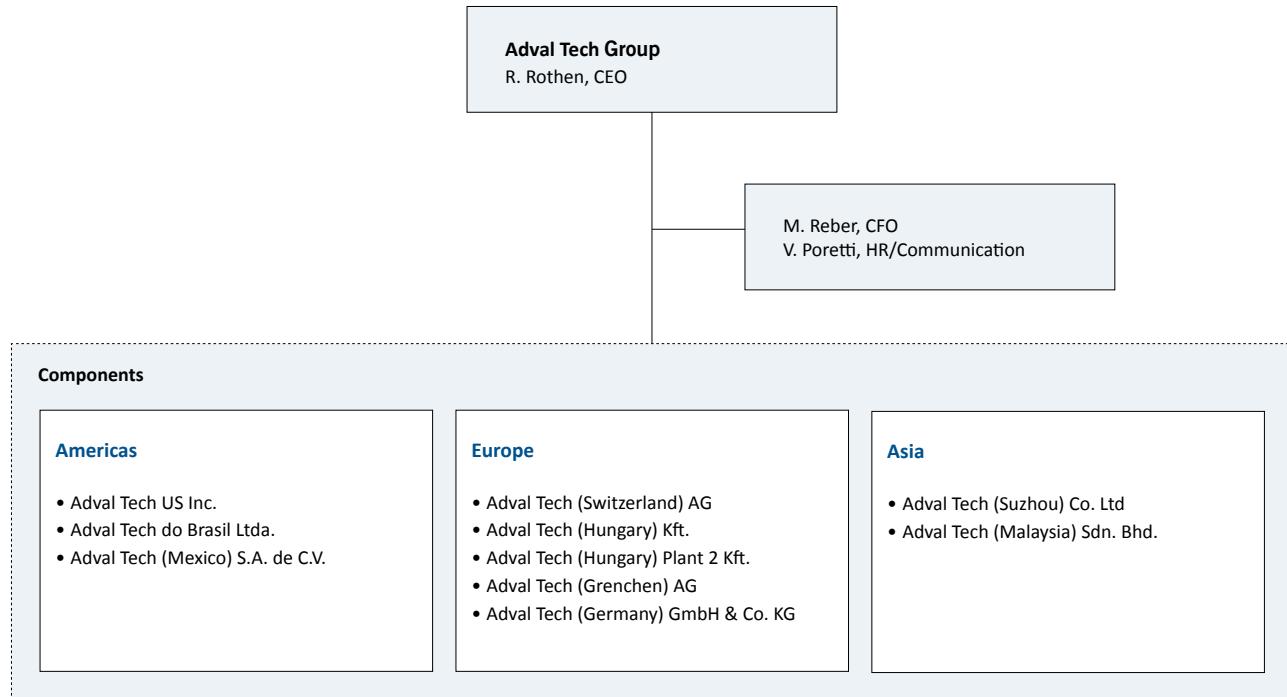
Values

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

One-stop shop

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

GROUP STRUCTURE



As at April 1, 2020

EXECUTIVE BODIES

Board of Directors

Dr. h.c. Willy Michel, Chairman

Hans Dreier

Dr. Roland Waibel

Christian Mäder

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

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

Group Executive Management

René Rothen, Chief Executive Officer

Valeria Poretti-Rezzonico, Head Corporate HR/Communication

Markus Reber, Chief Financial Officer

Statutory Auditors

Deloitte AG, Zurich



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

GROUP EXECUTIVE MANAGEMENT



FROM LEFT TO RIGHT:

MARKUS REBER
CHIEF FINANCIAL OFFICER

RENÉ ROTHEN
CHIEF EXECUTIVE OFFICER

VALERIA PORETTI-REZZONICO
HEAD CORPORATE HR/COMMUNICATION

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

Adval Tech's corporate governance structure is based on the company's Articles of Incorporation and regulations governing the organization and conduct of business. Unless otherwise specified, the present Corporate Governance Report refers to the 2019 financial year, to the position at the balance sheet date of December 31, 2019, to the Company's (Adval Tech Holding AG) Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 23, 2017. The following report conforms essentially to the structure specified by SIX Swiss Exchange.

Group structure and shareholders

Adval Tech Holding AG, incorporated in Niederwangen, Switzerland, is organized as a holding company under Swiss law and directly or indirectly owns all Adval Tech companies worldwide. The Adval Tech Group concentrates on selected activities in the business with metal and plastic components and focuses on the automotive market and related applications. The operating business units, with the exception of Adval Tech (Grenchen) AG, report directly to the Chief Executive Officer (CEO). Adval Tech (Grenchen) AG has reported to the managing director of the Niederwangen location of Adval Tech (Switzerland) AG since April 2019.

Group management and group financing are conducted through Adval Tech Management AG and Adval Tech Holding AG. Business is conducted through the relevant Group companies. The current Group structure is shown on page 31.

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

The SIX Swiss Exchange ticker symbol for Adval Tech registered shares is ADVN, the Reuters symbol is ADVN.S, and the Bloomberg symbol is ADVN SW. The ISIN number is CH0008967926. The market capitalization of Adval Tech Holding AG on December 31, 2019, was CHF 124.1 million.

On December 31, 2019, Adval Tech Management AG held 96 registered shares in Adval Tech Holding AG (previous year: no registered shares). The remaining group companies hold no shares in Adval Tech Holding AG.

The following companies are included in the scope of consolidation as at December 31, 2019

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

The scope of consolidation has not changed in the year under review.

Notes to the scope of consolidation in the prior-year period 2018: In the context of systematic implementation of its focusing strategy with concentration on selected activities, especially in its main target markets of the automotive industry, the Adval Tech Group sold its subsidiary in Thailand, Adval Tech (Thailand) Co. Ltd, at the end of August 2018; the business activities of Adval Tech (Thailand) Co. Ltd have therefore no longer been included in the scope of consolidation of Adval Tech Holding AG since September 3, 2018.

For further details of the scope of consolidation, see Note 4 on pages 79 to 80 of the Financial Report 2019.

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

During the 2019 financial year, there was a disclosure report based on Art. 120 et seq. of the FinfraG (Financial Market Infrastructure Act). Wilhelm Michel, Gümligen (beneficial owner: Wilhelm Michel, Gümligen, Switzerland), purchase of registered shares. Creation of reporting obligation on October 8, 2019, disclosed position in registered shares and voting rights: 211,298 registered shares corresponding to 28.94% of voting rights (previously 23.8% of voting rights).

Shareholders holding more than 3% of the registered share capital (as shown in the shareholders' register or according to the latest published disclosure report), as recorded in the Commercial Register on December 31, 2019, are listed on the next page.

| Ownership interest (as last reported) | 12/31/2019 | 12/31/2018 |
|--|------------|------------|
| Dr. h.c. Willy Michel* | 28.9% | 23.8% |
| Artemis Beteiligungen I AG, Hergiswil ^{1) 4)} | 21.5% | 21.2% |
| Grapha Holding AG, Hergiswil ²⁾ | 8.8% | 8.8% |
| J. Safra Sarasin Investment Fonds AG* | 8.5% | 8.5% |
| Hansruedi Bienz | 7.5% | 7.5% |
| Einfache Gesellschaft Dreier ³⁾ | 3.5% | 3.5% |

Beneficial owners:

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

* Effective amount of holding as at December 31, 2019 and December 31, 2018

There are no shareholders' pooling agreements and no capital or voting cross-holdings. The overall structure of shareholdings at December 31, 2019, was as follows:

| Number of shares | Shareholders |
|------------------|--------------|
| 1 to 100 | 348 |
| 101 to 1,000 | 98 |
| 1,001 to 10,000 | 17 |
| More than 10,000 | 8 |
| Total | 471 |

Capital structure

As at December 31, 2019, the share capital of Adval Tech Holding AG amounted to CHF 14.6 million, divided into 730,000 registered shares with a par value of CHF 20 each. All the shares carry the same voting and dividend rights. The share capital is fully paid up. With respect to restrictions on registration, reference is made to the section on shareholders' rights of co-determination (see pages 45 to 47).

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

| CHF | 12/31/2019 | 12/31/2018 | 12/31/2017 |
|--|--------------------|--------------------|--------------------|
| Share capital | 14,600,000 | 14,600,000 | 14,600,000 |
| Legal capital reserve | 61,032,736 | 64,096,409 | 66,981,141 |
| Legal retained earnings | 9,517,000 | 9,500,000 | 9,616,896 |
| <i>General legal retained earnings</i> | <i>9,500,000</i> | <i>9,500,000</i> | <i>9,500,000</i> |
| <i>Reserves for treasury shares</i> | <i>17,000</i> | <i>0</i> | <i>116,896</i> |
| Voluntary retained earnings | 11,267,611 | 11,284,611 | 11,167,715 |
| Profit carried forward | 44,733,542 | 40,017,242 | 45,189,668 |
| Profit/loss for the year | 845,075 | 4,716,300 | -5,139,626 |
| Total shareholders' equity | 141,995,964 | 144,214,562 | 142,415,794 |

There were no changes in capital in 2017, 2018 and 2019.

As at December 31, 2019, there was no authorized or conditional capital, nor were any participation or dividend-right certificates, convertible bonds or options in issue. The shareholders' register is maintained by Computershare Schweiz AG, Baslerstrasse 90, 4600 Olten, on behalf of Adval Tech Holding AG.

Board of Directors

On December 31, 2019 the Board of Directors of Adval Tech Holding AG was composed of the following members:

- **Willy Michel (Chairman)**, born 1947, Swiss; Dr. h.c.; holder of a professional qualification as a pharmaceutical consultant with a federal diploma. General Manager of Novo Nordisk Switzerland (1978–1984). As cofounder, Willy Michel was Chairman of the Board and General Manager of Disetronic Holding AG, Burgdorf (1984–2003). Since 2003 he has been Chairman of the Board of Ypsomed Holding AG, Burgdorf (and also CEO from 2011 to 2014). He has been a non-executive member of the Board of Directors of Adval Tech Holding AG since 2007 and Chairman of the Board since 2012. His term of office expires at the close of the Annual General Meeting for financial year 2019.
- **Hans Dreier**, born 1953, Swiss; MBA FH, was a project and later systems manager at Honeywell Bull, Düsseldorf, Germany (1980–1982); in 1982 he joined the Adval Tech Group at Styner+Bienz as Head of IT; from 1984 he was Head of Sales and Marketing at Styner+Bienz; from 1997 to March 2018 he held the position of Head of IT/Logistics/Legal as a member of the Adval Tech Group Executive Management. He has been a non-executive member of the Board of Directors of Adval Tech Holding Ltd since April 2018 (executive member of the Board of Directors between 1988 and March 2018) and was elected until the end of the Annual General Meeting for the 2019 financial year.
- **Christian Mäder**, born 1969, Swiss; Swiss certified expert in accounting and controlling. Since 2015, CFO and member of the executive committee of Artemis Group as well as member of the Board of Directors of Franke Group. From 2000 until 2015 various finance and management positions at Swisslog Group, as of 2005 CFO and member of the Group Executive Committee. Earlier, various management and finance positions at companies like KPMG and Colenco (Motor-Columbus Group). Member of the

Board of Directors of Adval Tech Holding AG since May 2017, non-executive, elected until the close of the Annual General Meeting for financial year 2019.

- **Roland Waibel**, born 1958, Swiss; PhD; various executive positions at the Lonza Group, Basel, including Group Controller, CFO and Senior Vice President, Corporate Development (1989–2006), CFO of the Omya Group, Oftringen (2006–2013), CFO of the Archroma Group, Reinach (since 2013); member of the Board of Directors of Adval Tech Holding AG since 2005, non-executive, elected until the close of the Annual General Meeting for financial year 2019.

Dr. h.c. Willy Michel founded Disetronic with his brother in 1984 and worked with him until his brother left the company in 1995. After that he was solely responsible for the development, production, distribution and sales of Disetronic products. As part of the sale of Disetronic to Roche Holding AG in 2003, Willy Michel bought back the injection division of Disetronic, which has since been operating under the name Ypsomed.

He has been Chairman of the Board of Directors of the Disetronic Group, now the Ypsomed Group, without interruption since the beginning. Before founding Disetronic, Willy Michel gained extensive experience in development, field sales and marketing at several industrial and pharmaceutical companies and he was head of Novo Nordisk Switzerland for six years. For three years he was a member of the Burgdorf municipal council. Willy Michel is majority shareholder and Chairman of the Board of Directors of Fertility Biotech AG in liquidation, an unlisted company in which BV Holding AG also holds a stake.

Willy Michel is the owner of several small companies in the art, watchmaking and catering sectors, and serves on the Board of Directors of smaller, unlisted companies.

For his overall entrepreneurial performance, Willy Michel was awarded the "Master Entrepreneur of the Year" by Ernst&Young AG in 2005 and an honorary doctorate (Dr. h.c.) by the Faculty of Economics and Social Sciences of the University of Bern in 2006. The Swiss Association for Internal and Integrated Communication (SVIK) awarded Willy Michel the "Communicator of the Year" (COTY) Award 2014. In 2016 he was awarded honorary membership of the Sponsorship Association of the IOP (Institute for Organization and Personnel of the University of Bern).

In June 2017, Willy Michel established the Diabetes Center Berne Foundation (DCB), which works closely with the University Hospital of the Insel Group and researches new therapeutic approaches to improve the quality of life of people with diabetes. Willy Michel is Chairman of the Board of Trustees of the DCB.

Hans Dreier does not hold any other mandates outside the Adval Tech Group. Following his retirement on March 31, 2018, he was available to the Adval Tech Group as a consultant in addition to his function as a member of the Board of Directors in the context of a part-time workload for projects and special assignments until December 31, 2019. However, he no longer exercised management functions.

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

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

With the exception of Hans Dreier, as described on page 38, none of the other non-executive members of the Board of Directors was employed by the Adval Tech Group in an operational or consultative capacity in the past three years. As of December 31, 2019 the members of the Board of Directors were not active on any management or supervisory body of significant Swiss or foreign corporations, institutions or foundations under private or public law outside the Adval Tech Group, nor do they hold any important political offices.

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

Number of mandates as at December 31, 2019 (outside the Adval Tech Group)

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

No transactions were conducted with related parties in the year under review (see also Note 38 of the Financial Report). Neither in the 2019 financial year nor in the previous year were sales to related parties generated nor were there any receivables from related parties as at the balance sheet date of December 31, 2019 (December 31, 2018: zero). The members of the Board of Directors have no material business relationships with the Company or any of its Group companies. All business relationships of the Adval Tech Group with related parties are described and quantified in Note 38 of the Financial Report on page 102.

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

The following elections were held at the Annual General Meeting of May 23, 2019:

- Willy Michel, Hans Dreier, Christian Mäder and Roland Waibel were individually re-elected as members of the Board of Directors for a term of one year, elapsing at the close of the next Annual General Meeting.
- Willy Michel was re-elected as Chairman of the Board of Directors in a separate election for the period ending at the close of the next Annual General Meeting.
- The Board members Willy Michel, Christian Mäder and Roland Waibel were re-elected individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting.
- The law and notary firm of Muntwyler von May Notare in Bern and Ittigen was appointed independent proxy for the period ending at the close of the next Annual General Meeting.
- Deloitte AG, Zurich, were first elected as auditors for the 2019 financial year.

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

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

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

The Board of Directors can delegate the preparation, execution and supervision of its duties to committees or individual directors. It has formed an Audit Committee and a Nomination and Compensation Committee for this purpose. The duties, competencies and responsibilities of the Board of Directors and the board committees are stipulated in the Organizational Rules of Adval Tech Holding AG. Paragraph 5 lists the duties and competencies of the Audit Committee; those of the Nomination and Compensation Committee are listed in Note 6 (direct link: www.advaltech.com/en/group/about-adval-tech/corporate-governance/articles-of-incorporation-and-rules).

The composition of the Audit Committee remained unchanged in the 2019 financial year compared with the previous year as follows: Roland Waibel (Chairman) and Hans Dreier. The Nomination and Compensation Committee is made up exclusively of non-executive members of the Board of Directors: Willy Michel (Chair-

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

The Audit Committee is responsible for reviewing the annual financial statements and other financial information. It discusses the results of audits with the external auditors, and reviews the internal control system, risk management and compliance with laws, directives and standards. At the proposal of the CFO it approves the budget for auditing fees and assesses the independence and compatibility of auditing activities with other advisory mandates. The Audit Committee submits a proposal on the election of the auditors to the Board of Directors for the attention of the Annual General Meeting. The CFO and, if necessary, the CEO usually attend the meetings in a consultative capacity. The Audit Committee usually acts in a preparatory capacity for the Board of Directors as a whole; decision-making powers lie with the Board of Directors as a whole. The Audit Committee meets as often as business requires, but at least twice a year. Three meetings were held in 2019. In the year under review, the CEO attended two and the CFO all three meetings. The auditors also attended all three meetings in 2019. In the 2019 financial year, the outgoing auditors attended a meeting on the 2018 financial statements; the newly elected auditors attended two meetings following their election at the 2019 General Meeting. No other external advisers were called in. The meetings usually last half a working day. The audit findings can be seen in the remuneration report on pages 64 and 65, in the financial report on page 104 to 107 for the consolidated financial statements and on pages 121 to 123 for Adval Tech Holding AG.

In accordance with the Company's Articles of Incorporation, the Nomination and Compensation Committee is made up of at least two members of the Board of Directors. Members are elected individually by the Annual General Meeting for a term lasting until the conclusion of the next Annual General Meeting. Members may be re-elected. Following election of the members of the Nomination and Compensation Committee, the Board of Directors designates the Chairman of the Committee, which otherwise constitutes itself. The Nomination and Compensation Committee conducts personnel planning at the Board of Directors and Group Executive Management level, in particular by setting criteria for candidate searches and preparing the selection, and by performing succession planning and support. It assesses the performance of the Group Executive Management members, reporting to the Board of Directors, and determines the basic salaries and bonuses of the Group Executive Management based on a fixed formula. The Nomination and Compensation Committee assesses the compensation of the Group Executive Management once a year and, where appropriate, submits recommendations for potential adjustments to the Board of Directors. The Nomination and Compensation Committee proposes the compensation of the Chairman and other members of the Board of Directors. The Nomination and Compensation Committee meets as frequently as business requires but at least once a year, upon invitation by the Chairman. It held one meeting in 2019. As a rule, the CEO attends meetings in an advisory capacity; in 2019 he did not attend the meeting. No external advisers were called in. The meetings usually last between one and two hours. As a rule, the Nomination and Compensation Committee acts in a preparatory capacity for the full Board of Directors, providing timely reports on the results of its activities. It presents the requisite proposals to the Board of Directors in the person of the Chairman; decision-making authority lies with the full Board of Directors or the Annual General Meeting. Adval Tech Holding AG's Articles of Incorporation are available on the Internet at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules/.

Composition of the Board of Directors and the Committees and number of meetings held in 2019

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

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

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

Proposals to the 2020 Annual General Meeting regarding elections to the Board of Directors

Willy Michel, Chairman of the Board of Directors of Adval Tech Holding Ltd, and Roland Waibel, member of the Board of Directors have decided not to stand for re-election at the Annual General Meeting of Adval Tech Holding Ltd on May 14, 2020. Willy Michel has been a member of the Board of Directors of Adval Tech Holding Ltd since 2007 and Chairman since 2012. Roland Waibel has been a member of the Board of Directors of Adval Tech Holding Ltd since 2005 and Chairman of the Audit Committee. The Board of Directors will now propose René Rothen, CEO of the Adval Tech Group, for election to the Board of Directors and for election as Chairman of the Board. Following his election, René Rothen will continue as CEO until his successor is determined. The Board of Directors will also propose to the Annual General Meeting that Jürg Schori, Swiss certified sales manager, be elected as a new member of the Board of Directors.

Information and control instruments in relation to the Group Executive Management

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

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

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

impact of each risk. The management of financial risks is described in detail in Note 2 on pages 77 and 78 of the Financial Report and cooperation with the auditors is described on pages 47 and 48 of this Corporate Governance Report.

Internal control system

The Adval Tech Group's internal control system (ICS) is implemented at company level at significant group entities. The processes required to be covered by the ICS, their definitions and the documentation of the ICS are stipulated centrally by the group. An internal control system has been in operation at significant group entities for some time; since 2009, its design and application have been coordinated group-wide. The Board of Directors receives regular reports on the design and development of the internal control system, generally once a year. The existence of the ICS is reviewed annually by the auditors. The auditors submitted one written report on the results of their review of the ICS to the Board of Directors during the reporting period. The findings of that audit are outlined in the auditor's report on pages 107 and 123 of the Annual Report.

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

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

Group Executive Management

As in the previous year, the executive management team of the Adval Tech Group (Group Executive Management) consisted of three members as at December 31, 2019:

- **René Rothen**, born 1959, Swiss; with Adval Tech since 2007; Chief Executive Officer; Grad. Eng. HTL. Career: Head of Product Development, machine tool manufacturing at EWAG AG, Etziken (1983–1993), various executive positions at Saia-Burgess in Murten (1993–2006), including Head of Operations, Switzerland and Hungary, and finally also as CEO of a subsidiary in the US. Joined Adval Tech as Head of the Automotive Division in 2007, member of the Group Executive Management since 2007, CEO of the Adval Tech Group since August 1, 2012.
- **Markus Reber**, born 1963, Swiss; with Adval Tech since 2002, Chief Financial Officer; Exec. MBA FH. Career: controller and CIO at ABB-MMD Robotics AG, Deitingen (1989–1992), Commercial Manager of ABB Fläkt AG, Lucerne (1993), Head of Finance and Administration in the Repair unit of Swisscom AG, Bern (1993–1997), Head of Finance and Controlling in the Service and Repair unit of Swisscom AG, Bern (1997–2000), Head of Finance and Central Services at the Feusi Bildungszentrum, Bern (2000–2002). Joined Adval Tech as Group Controller, CFO and member of the Group Executive Management since January 1, 2007.

- **Valeria Poretti-Rezzonico**, born 1961, Swiss; with Adval Tech since 2008; Head of Corporate HR/Communication; AMP Harvard Business School; Career: Head of the Secretariat of the General Management of Danzas Transporte Italy/Ticino, Milan/Chiasso (1988–1996), various positions at Saia-Burgess, Murten (1996–2006) including Head of Investor Relations, Corporate Communication & Marketing. Joined Adval Tech as Head of Corporate HR/Communication, member of the Group Executive Management since May 1, 2012.

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

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

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

In the reporting period, there were no further management contracts between Adval Tech Holding AG or its subsidiaries and third parties. Details of remuneration, equity holdings and loans will be presented in a separate Remuneration Report on pages 53 to 63 of this Annual Report.

Compensation, ownership interests and loans

Full details of the compensation, ownership interests and loans to both present and former members of the governing bodies are disclosed individually in the remuneration report on pages 53 through 63. The various provisions of the Articles of Incorporation concerning compensation of members of governing bodies are set forth in Articles 20 and 26 through 29. The Company's Articles of Incorporation contain no articles regarding loans, credits and pension benefits for members of governing bodies. The Articles of Incorporation of Adval Tech Holding AG can be viewed at www.advaltech.com/en/group/investors/corporate-governance/articles-of-incorporation-and-rules.

Shareholders' participation rights

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

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

Artemis Beteiligungen I AG with Artemis Beteiligungen II AG. Beneficial ownership remained unaffected by this transaction. The Board of Directors has affirmed the continued validity for Artemis Beteiligungen I AG of the exception granted to Artemis Beteiligungen II AG.

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

Furthermore, these voting restrictions (regarding the previous 5%) do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all voting rights when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Hansruedi Bienz, Dreier unregistered partnership). The exceptions granted were also applied by the Board of Directors in the 2019 reporting period.

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

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

Invitations to the Annual General Meeting are issued by publication in the Swiss Official Commercial Gazette no less than 20 days prior to the Annual General Meeting. Shareholders entered in the shareholders' register can also be invited in writing. Shareholders representing at least ten percent of share capital may demand the convocation of an Extraordinary General Meeting in writing, indicating the agenda items and resolutions to be taken up. Shareholders representing shares with a par value of not less than CHF 1 million can request the inclusion on the agenda of items for discussion. Such requests must be submitted to the Board of Directors before the General Meeting, indicating the matter to be discussed and the precise proposal. Provisions of law concerning deadlines and the date of record apply. There are no regulations differing from the Swiss Code of Obligations regarding the convening of a general meeting. Shareholders with voting rights who are entered in the shareholders' register at least 14 days prior to the Annual General Meeting are entitled to vote at the meeting. The anticipated deadline for registration before the Annual General Meeting on May 14, 2020 is tentatively set for May 5, 2020.

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

Independent proxy

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

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

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

At the Annual General Meeting on May 23, 2019, law and notary firm Muntwyler von May Notare, of Bern and Ittigen, was re-elected as independent proxy for the period up to the end of the next Annual General Meeting. Muntwyler von May Notare is an independent legal firm.

For the upcoming Annual General Meeting of May 14, 2020, the Board of Directors will ensure that Adval Tech Holding AG shareholders have the option of submitting their authorization and instructions to the independent proxy electronically. Details on submitting an electronic authorization and instructions to the independent proxy will be explained in the invitation to the next Annual General Meeting. The Company allows shareholders to send their voting instructions for Annual General Meetings to the independent proxy in electronic form using the eComm platform (<https://ip.computershare.ch/advaltech>). The procedures for registration and voting using this platform are sent to shareholders recorded in the share register together with the invitation to the Annual General Meeting.

Changes of control and defense mechanisms

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

Statutory auditors

The Annual General Meeting elects the auditors for a period of one year. Deloitte AG, Zurich, were elected as statutory auditors for Adval Tech Holding Ltd for the first time for the 2019 fiscal year at the annual general meeting held on May 23, 2019. Fabien Lussu has been the lead auditor since the 2019 General Meeting.

Total auditing fees invoiced by Deloitte AG in 2019 came to CHF 271,000 (previous year: CHF 0). No additional fees were paid to Deloitte AG.

PricewaterhouseCoopers AG (which acted as statutory auditors of Adval Tech Holding Ltd until the 2019 annual general meeting) invoiced a total of CHF 31,000 in auditing fees in 2019 for the final audit performed in 2018 (previous year: CHF 340,000). In 2019, until the 2019 General Meeting of Shareholders, PricewaterhouseCoopers AG received a total of CHF 145,000 in fees for tax advice (previous year: CHF 117,000 for tax advice).

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

The auditors attended all three meetings of the Audit Committee in 2019 in order to explain the results of their audit. In the 2019 financial year, the outgoing auditors attended a meeting on the 2018 financial statements; the newly elected auditors attended two meetings following their election at the 2019 General Meeting. A detailed management report was drawn up by the auditors on each occasion to summarize the results of the interim audit and the audit of the annual financial statements; this served as the basis for explanations to the Audit Committee and the Board of Directors as a whole.

The Audit Committee reviews the audit concept annually and stipulates the audit schedule after consultation with the auditors and the Chairman of the Board of Directors, and defines the fee framework. The committee also periodically reviews the independence of the auditors (their personal independence and that of the auditing firm), the provision of the relevant resources by the auditors, practical recommendations for the implementation of the Swiss GAAP FER guidelines, the auditors' understanding of the business units and the company's specific business risks, cooperation with the Audit Committee and the Group Executive Management, and the compatibility of the audit mandate with any other consulting contracts. Consulting contracts awarded to the auditors for more than CHF 0.1 million per contract must be approved by the Audit Committee before being awarded. For the year under review, the Audit Committee and the Board of Directors as a whole have concluded that the independence of the auditors is fully guaranteed.

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

Information policy

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

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

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

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

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

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

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

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

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Upcoming events

Annual General Meeting:
Thursday, May 14, 2020, Bern

Announcement of semi-annual results:
End of August 2020

REMUNERATION REPORT

This remuneration report for the 2019 financial year describes the compensation principles, the compensation system and the remuneration for the Board of Directors and Group Executive Management of Adval Tech Holding AG ("Company").

The details in this report comply with the SIX Exchange Regulation Directive on Corporate Governance, the requirements of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), which came into force on January 1, 2014, and the Swiss Code of Obligations (SCO). Unless otherwise specified, the present Corporate Governance Report refers to the balance sheet date of December 31, 2019, to the Company's Articles of Incorporation as at May 21, 2015 and to the Organizational Rules of March 23, 2017.

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

Governance

Overall responsibility for defining the compensation principles for Adval Tech Holding AG lies with the Board of Directors.

The following maximum total amounts of remuneration are proposed to the Annual General Meeting for approval in separate votes in accordance with the Company's Articles of Incorporation:

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

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

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

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

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

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

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

Nomination and Compensation Committee

The Nomination and Compensation Committee consists exclusively of non-executive members of the Board. The Annual General Meeting of May 23, 2019 elected Board members Willy Michel, Roland Waibel and Christian Mäder individually as members of the Nomination and Compensation Committee for the period up to the end of the next Annual General Meeting. More details on the Nomination and Compensation Committee can be found in the "Corporate Governance" section on pages 42 and 43 of this Annual Report.

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

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

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

1. COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

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

The remuneration of the members of the Board of Directors is not linked to the company's targets. As a rule, the Nomination and Compensation Committee proposes the Board of Directors' compensation, their attendance fees and their lump-sum expense allowances once a year. Based on these proposals, the full Board of Directors determines the compensation at its own discretion, without involving external advisers or specific studies. In 2019, the Chairman of the Board of Directors received a fixed fee of CHF 60,000, while the other members received a fixed fee of CHF 40,000. Since the Annual General Meeting in 2017, no member of the Board of Directors has held the function of Vice Chairman. For collaboration in the Audit Committee and in the Nomination and Compensation Committee, a fixed fee of CHF 10,000 was paid per member and committee for the 2019 financial year. The fees of the members of the Board of Directors remained unchanged compared to the previous year and have not been changed since 2004. Members of the Board also received a flat fee and a reimbursement for each meeting attended. The attendance fee and lump sum to cover expenses were paid only once per day, even if several meetings were held on the same day. The rates also remained unchanged year on year and have not been changed since 2005.

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

Since 2015, the Annual General Meeting has voted on the total compensation of the Board of Directors. See details in the "Governance" section on pages 53 and 54 of this remuneration report.

Remuneration of the Board of Directors for 2019 and 2018

The following tables show the compensation paid to the members of the Board of Directors for the 2019 and 2018 financial years.

Board of Directors: remuneration for the 2019 financial year (audited figures)

| CHF | Position | Basic remuneration ¹⁾ | Other remuneration ²⁾ | Social insurance contributions | Total | Entertainment expenses ³⁾ |
|--|----------|-------------------------------------|-------------------------------------|-----------------------------------|----------------|---|
| Dr. h.c. Willy Michel ^{5) 6)} | Chairman | 70,000 | 4,000 | 0 | 74,000 | 4,000 |
| Hans Dreier ⁴⁾ | Member | 50,000 | 7,000 | 3,543 | 60,543 | 5,600 |
| Christian Mäder ^{5) 7)} | Member | 50,000 | 4,000 | 0 | 54,000 | 3,200 |
| Dr. Roland Waibel ^{4) 5)} | Member | 60,000 | 7,000 | 5,142 | 72,142 | 5,600 |
| Total Board of Directors | | 230,000 | 22,000 | 8,686 | 260,686 | 18,400 |

1) Fixed fee and collaboration in committees

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

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

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

The Annual General Meeting of May 23, 2019, approved maximum total compensation for members of the Board of Directors for their terms up to the 2020 Annual General Meeting in the amount of CHF 320,000.

Calculation of reported compensation paid to members of the Board of Directors for the 2019 financial year and amount approved by the 2019 AGM for the period up to the 2020 AGM:

| CHF | Total compensation in financial year 2019 | Less compensation for the period from Jan. 1, 2019 to the 2019 AGM (5 months) | Plus compensation for the period from Jan. 1, 2020 to the 2020 AGM (5 months) | Total compensation for the period from the 2019 AGM to the 2020 AGM | Maximum total compensation approved at the 2019 AGM |
|--------------------------------------|---|---|---|--|--|
| Total Board of Directors (4 members) | 279,086 | 139,543 | 139,543 | 279,086 | 320,000 |

The total compensation of the Board of Directors for the 2019 financial year is within the amount approved by the Annual General Meeting. The basic remuneration and the rates for attendance fees and the lump sum expense allowance have not changed.

Board of Directors: remuneration for the 2018 financial year (audited figures)

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

1) Fixed fee and collaboration in committees

2) Attendance fee

3) Lump-sum expense allowance

4) Member of the Audit Committee

5) Member of the Nomination and Compensation Committee

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

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

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

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

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

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

The Board of Directors will propose total compensation for members of the Board of Directors for one term of office (the period from the 2020 AGM to the 2021 AGM) to the Annual General Meeting of May 14, 2020 in the amount of CHF 320,000 (2019 AGM to 2020 AGM: CHF 320,000).

In addition to his function as a member of the Board of Directors, Hans Dreier has been working for the Company as a consultant on a part-time basis since April 1, 2018. The compensation paid for this function is disclosed in section 2.4 of this remuneration report. It is planned that his advisory activities will continue until the end of June 2020.

2. REMUNERATION OF MEMBERS OF THE GROUP EXECUTIVE MANAGEMENT

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

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

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

No industry-specific benchmarks, external studies or advisers were used to establish compensation for members of the Group Executive Management either in the 2019 financial year or in the previous year. The members of the Group Executive Management do not attend the part of the meeting of the Board of Directors in which compensation is discussed.

2.1 Compensation system for Group Executive Management in the 2019 financial year

The compensation system for the Group Executive Management in 2019 was unchanged from 2018. As in the 2018 financial year, the Board of Directors set two targets for determining variable compensation for Group Executive Management members:

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

No additional individual targets were set in either the 2019 or the 2018 financial year.

2.2 Fixed component of total compensation

The basic salary (the fixed component of total compensation) and benefits (company car and expenses) for Group Executive Management members are based on the individual members' positions (CEO, CFO, Head Corporate HR/Communication and until March 31, 2018 also Head of IT/Logistics/Legal) and their qualifications and career experience. The basic salary and benefits are reviewed annually by the Board of Directors on the basis of a proposal made by the Nomination and Compensation Committee and fixed at the Board's discretion. Where applicable, the basic salary and benefits are adjusted for the following year on the basis of the proposal made by the Nomination and Compensation Committee. The basic salary is paid in cash on a monthly basis.

2.3 Variable performance-based component of total compensation

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

In 2019 the CEO's target bonus was 53% and that of the other Group Executive Management members was 44% of their basic salary (previous year: 53% for the CEO and 41% for the other members).

As in previous years, to determine the actual bonus, the degree of attainment of the following two financial targets was established:

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

Bonus structure and weighting of targets, 2019 reporting period (unchanged compared to 2018)

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

The bonus structure remains unchanged since 2015 financial year. In general, a portion (as a rule no less than 20%, no more than 100%) of the variable remuneration of Group Executive Management is paid out in shares. The number of shares granted is based on the average price of the registered shares in February of the year following the financial year. The shares granted as variable compensation vest in five years. The cost of variable remuneration in cash and shares is recognized on an accrual basis. The variable remuneration component can range from zero to 106% of the fixed component.

No variable remuneration will be paid to the members of the Group Executive Management for the 2019 financial year; details are set out in section 2.4 of this remuneration report

For the previous year 2018, 77.9% of the variable component was paid to the members of the Group Executive Management in cash (CHF 280,597) and 22.1% in the form of shares (CHF 79,449). The effective variable compensation in relation to the basic salary in 2018 was 42.6% for the CEO and 32.0% for the other members of the Group Executive Management.

It is planned to supplement the targets for variable remuneration from 2020 onwards with personal targets as a third component.

2.4 Compensation paid to the Group Executive Management for the 2019 and 2018 financial years (audited figures)

The following table shows the fixed and variable compensation and total compensation paid to the Group Executive Management for 2019 and 2018.

| CHF | 2019 | | 2018 | |
|--|----------------------------------|--|--|--|
| | Group Exec. Mgmt. (3 members) | Of which highest single compensation payment ¹⁾ | Group Exec. Mgmt. (3 members since March 2018) ²⁾ | Of which highest single compensation payment ¹⁾ |
| Basic remuneration in cash | 949,200 | 379,200 | 1,000,500 | 375,000 |
| Other fixed remuneration in cash ³⁾ | 29,953 | 8,953 | 87,530 | 8,953 |
| Other fixed remuneration in cash | 262,820 | 101,734 | 299,846 | 106,782 |
| Total fixed remuneration | 1,241,973 | 489,887 | 1,387,876 | 490,735 |
| Variable remuneration in cash | 0 | 0 | 280,597 | 124,894 |
| Share-based remuneration ⁴⁾ | 0 | 0 | 79,449 | 34,694 |
| Total variable remuneration | 0 | 0 | 360,046 | 159,588 |
| Total management remuneration | 1,241,973 | 489,887 | 1,747,922 | 650,323 |
| Entertainment expenses | 49,200 | 18,000 | 53,100 | 18,000 |

1) CEO René Rothen

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

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

4) Allocation of shares in Adval Tech Holding AG as described in chapter 2.3 on pages 58 to 60 and in Note 22 on page 95 and 96 of the 2019 Financial Report.

Hans Dreier left the management of the Adval Tech Group at the end of March 2018, having reached the statutory retirement age. He will continue to make his knowledge available to the company as a member of the Board of Directors. Hans Dreier was also available to the Adval Tech Group as a consultant on a part-time basis for projects and special assignments from April 1, 2018, to December 31, 2019. However, he no longer exercised management functions (see page 45 of the Corporate Governance Report 2018 and page 39 of the Corporate Governance Report 2019). The compensation for this consulting activity was paid monthly (based on a monthly gross amount of CHF 10,000 for a part-time workload of 40% from April 1, 2018 to September 30, 2019 or CHF 5,000 gross for a reduced part-time workload from October 1, to December 31, 2019). It is planned that his consulting activities will continue until the end of June 2020.

The total fixed compensation for the members of the Group Executive Management of CHF 1,241,973 for the 2019 financial year is 10.5% lower than in the previous year due to the retirement of a member of the Group Executive Management on March 31, 2018 (his compensation is included pro rata until the date of retirement in 2018) and the associated lower social security contributions. The total fixed compensation for 2019 is in line with the maximum total fixed compensation of CHF 1,425,000 approved by the Annual General Meeting on May 17, 2018.

The Annual General Meeting on May 23, 2019, retrospectively approved the proposed variable compensation of CHF 360,046 for the members of the Group Executive Management for the 2018 fiscal year.

For the 2019 financial year, the Board of Directors had increased the targets for the members of the Group Executive Management compared with the previous year. The degree of target achievement in 2019 was lower than the minimum degree of achievement set for a bonus payment. Consequently, no variable compensation will be paid for the 2019 financial year (previous year CHF 360,046). Likewise, no variable compensation for the members of the Group Executive Management will be proposed to the Annual General Meeting 2020 for retrospective approval.

The total compensation for the members of the Group Executive Management was CHF 505,949 (-29%) below that of the previous year: no variable remuneration will be paid for the 2019 financial year. In addition, in the 2018 financial year the remuneration of one member of the Group Executive Management was taken into account until March 2018 on a pro rata basis.

The Annual General Meeting of May 23, 2019, approved maximum fixed total compensation for members of Group Executive Management of CHF 1,425,000 for the 2020 financial year. The fixed compensation figures for 2020 and a statement of the amount actually paid compared with the amount approved by the Annual General Meeting will be included in the 2020 Compensation Report.

At the Annual General Meeting on May 14, 2020, the Board of Directors will propose that maximum total fixed compensation of CHF 1,425,000 be approved for the members of the Group Executive Management for 2021.

3. BENEFITS AND CONTRACTUAL CONDITIONS ON LEAVING THE COMPANY

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

4. SHARE OWNERSHIP

As at December 31, 2019, the individual members of the Board of Directors and Group Executive Management (including associated persons) held the following numbers of shares in the company (audited figures):

| Name | Position | 12/31/2019 (Number) | 12/31/2018 (Number) |
|---------------------------|---|------------------------|------------------------|
| Dr. h.c. Willy Michel | Chairman of the Board | 211,298 | 173,810 |
| Hans Dreier | Member of the Board of Directors, Head of IT/Logistics/Legal (until March 2018) | 13,450 | 13,422 |
| Christian Mäder | Member of the Board of Directors | - | - |
| Dr. Roland Waibel | Member of the Board of Directors | 200 | 200 |
| René Rothen | CEO | 1,540 | 1,340 |
| Markus Reber | CFO | 711 | 596 |
| Valeria Poretti-Rezzonico | Head Corporate HR/Communication | 754 | 639 |

The increase in the number of shares held by the Board of Directors is attributable to acquisitions during the 2019 financial year.

The change in the shareholdings of the members of Group Executive Management (including the member of Group Executive Management who retired in March 2018) is attributable to the shares allocated in the 2019 financial year as part of the variable remuneration for the 2018 financial year.

Further information on management transactions can be found on the SIX Swiss Exchange website at the following link: <https://www.six-exchange-regulation.com/en/home/publications/management-transactions.html?companyId=ADVAL>

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

The company did not grant any other remuneration, loans or credit to directors and officers or associated persons, either in the 2019 financial year, or in the previous year.

6. COMPENSATION FOR FORMER DIRECTORS AND OFFICERS

No other compensation was paid to former members of governing bodies in the reporting year 2019 than the amounts disclosed in section 1.1 "Remuneration of the Board of Directors for 2019 and 2018" and in section 2.4 "Compensation paid to the Group Executive Management for the 2019 and 2018 financial years". In the 2018 financial year, no compensation was paid to former members of governing bodies.



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Report of the statutory auditor

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

Report of the statutory auditor in relation to the remuneration report

We have audited the remuneration report dated 26 March 2020 of Adval Tech Holding AG, pages 56-57 and page 60, for the year ended 31 December 2019.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 of Adval Tech Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte.

Other Matter

The remuneration report of Adval Tech Holding AG for the year ended 31 December 2018 were audited by another auditor whose report, dated 21 March 2019 expressed an unqualified opinion on those financial statements.

Deloitte AG



Fabien Lussu
Licensed Audit Expert
Auditor in Charge



Christophe Aebi
Licensed Audit Expert

Zurich, 26 March 2020

**FINANCIAL REPORT OF
THE ADVAL TECH GROUP FOR 2019**

CONSOLIDATED BALANCE SHEET

| CHF 1,000 | Notes | 12/31/2019 | 12/31/2018 |
|---|------------|----------------|----------------|
| Liquid assets | 5 | 19,490 | 27,488 |
| Trade accounts receivable | 6 | 23,942 | 27,629 |
| Other receivables | 7, 37 | 7,263 | 5,254 |
| Advance payments to suppliers | | 669 | 1,222 |
| Inventories and work in progress | 8 | 31,948 | 37,594 |
| Prepaid expenses and accrued income | 9 | 928 | 1,051 |
| Total current assets | | 84,240 | 100,238 |
| Tangible fixed assets | 10 | 66,848 | 70,666 |
| Financial assets | 11 | 4,316 | 3,702 |
| Intangible assets | 12 | 3,041 | 3,860 |
| Deferred tax assets | 21 | 3,896 | 1,119 |
| Total fixed assets | | 78,101 | 79,347 |
| Total assets | | 162,341 | 179,585 |
| Trade accounts payable | 13 | 12,892 | 18,642 |
| Short-term interest-bearing liabilities | 14, 16, 19 | 276 | 898 |
| Other short-term liabilities | 15, 37 | 7,964 | 16,690 |
| Prepaid income and accrued expenses | 17 | 8,303 | 13,551 |
| Short-term provisions | 20 | 1,075 | 1,260 |
| Accrued current income taxes | | 871 | 356 |
| Total short-term liabilities | | 31,381 | 51,397 |
| Long-term interest-bearing liabilities | 16, 18, 19 | 884 | 859 |
| Long-term provisions | 20 | 1,280 | 2,108 |
| Deferred tax liabilities | 21 | 2,437 | 1,696 |
| Total long-term liabilities | | 4,601 | 4,663 |
| Total liabilities | | 35,982 | 56,060 |
| Share capital | 22 | 14,600 | 14,600 |
| Capital reserves | | 94,653 | 97,710 |
| Treasury shares | | -17 | 0 |
| Goodwill offset | 12 | -58,665 | -58,665 |
| Translation differences | | -3,871 | -1,136 |
| Retained earnings | | 79,659 | 71,016 |
| Total shareholders' equity | | 126,359 | 123,525 |
| Total liabilities and shareholders' equity | | 162,341 | 179,585 |

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 | 2019 | 2018 |
|--|--------|-----------------|-----------------|
| Net sales from goods and services | | 144,693 | 166,440 |
| Income from manufacturing orders (valued using the percentage-of-completion method) | | 28,927 | 24,866 |
| Net turnover | 24, 34 | 173,620 | 191,306 |
| Change in inventories of semi-finished and finished goods | | 967 | 541 |
| Own work capitalized | | 0 | 129 |
| Other operating income | 25 | 4,284 | 6,223 |
| Total income | | 178,871 | 198,199 |
| Cost of materials and services | 26 | -84,154 | -92,241 |
| Personnel expenses | 27, 28 | -56,550 | -62,504 |
| Other operating expenses | 29 | -19,738 | -22,733 |
| Operating expenses | | -160,442 | -177,478 |
| Operating earnings before depreciation (EBITDA) | | 18,429 | 20,721 |
| Depreciation on tangible fixed assets | 10 | -7,346 | -7,392 |
| Amortization on intangible fixed assets | 12 | -814 | -957 |
| Depreciation | | -8,160 | -8,349 |
| Operating earnings (EBIT) | | 10,269 | 12,372 |
| Financial income | 30 | 2,173 | 2,078 |
| Financial expenses | 30 | -2,700 | -2,325 |
| Net financial income | | -527 | -247 |
| Ordinary result | | 9,742 | 12,125 |
| Extraordinary result | 31 | -1,180 | -347 |
| Net result before income taxes | | 8,562 | 11,778 |
| Income taxes | 21, 32 | 88 | -3,007 |
| Net result after income taxes | | 8,650 | 8,771 |
| Net result after income taxes per share (CHF)¹⁾ | 33 | 11.85 | 12.02 |

1) There is no dilutive effect

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

SHAREHOLDERS' EQUITY

| | Share capital | Capital reserves | Treasury shares | Share of goodwill offset | Translation difference | Retained earnings/accum. losses | Total shareholders' equity |
|---------------------------------------|---------------|------------------|-----------------|--------------------------|------------------------|---------------------------------|----------------------------|
| CHF 1,000 | | | | | | | |
| at January 1, 2018 | 14,600 | 100,595 | -117 | -62,362 | 2,239 | 62,334 | 117,289 |
| Net result after income taxes | 0 | 0 | 0 | 0 | 0 | 8,771 | 8,771 |
| Translation differences | 0 | 0 | 0 | 0 | -3,354 | 0 | -3,354 |
| Increase/decrease in share capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes from sales of investments | 0 | 0 | 0 | 3,697 | -21 | -56 | 3,620 |
| Changes from purchases of investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends | 0 | 0 | 0 | 0 | 0 | -2,918 | -2,918 |
| Transfers | 0 | -2,885 | 0 | 0 | 0 | 2,885 | 0 |
| Purchase/sale of treasury shares | 0 | 0 | 117 | 0 | 0 | 0 | 117 |
| at December 31, 2018 | 14,600 | 97,710 | 0 | -58,665 | -1,136 | 71,016 | 123,525 |
| Net result after income taxes | 0 | 0 | 0 | 0 | 0 | 8,650 | 8,650 |
| Translation differences | 0 | 0 | 0 | 0 | -2,735 | 0 | -2,735 |
| Increase/decrease in share capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes from sales of investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes from purchases of investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends | 0 | 0 | 0 | 0 | 0 | -3,064 | -3,064 |
| Transfers | 0 | -3,057 | 0 | 0 | 0 | 3,057 | 0 |
| Purchase/sale of treasury shares | 0 | 0 | -17 | 0 | 0 | 0 | -17 |
| at December 31, 2019 | 14,600 | 94,653 | -17 | -58,665 | -3,871 | 79,659 | 126,359 |

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

CONSOLIDATED CASH FLOW STATEMENT

| CHF 1,000 | Notes | 2019 | 2018 |
|--|-------|---------------|---------------|
| Net result after income taxes | | 8,650 | 8,771 |
| Scheduled depreciation on tangible fixed assets | 10 | 7,346 | 7,392 |
| Impairment of tangible fixed assets | 10 | 0 | 0 |
| Scheduled amortization on intangible assets | 12 | 814 | 957 |
| Impairment of intangible assets | 12 | 0 | 0 |
| Increase (+) / decrease (-) in long-term and short-term provisions | 20 | -986 | -3,287 |
| Increase (+) / decrease (-) in provision for deferred income taxes (net position) | 21 | -2,064 | 2,107 |
| Gain (-) / loss (+) on sales of tangible fixed assets | | -23 | -687 |
| Other transactions with no impact on liquidity | | -4,015 | -609 |
| <i>Cash flow from operating activities before change in net current assets</i> | | 9,722 | 14,644 |
| Increase (-) / decrease (+) in receivables | | 3,873 | 1,330 |
| Increase (-) / decrease (+) in inventories | 8 | 4,683 | -4,464 |
| Increase (-) / decrease (+) in prepaid expenses and accrued income | | 1,945 | -506 |
| Increase (+) / decrease (-) in trade accounts payable | | -3,145 | -4,293 |
| Increase (+) / decrease (-) in other short-term liabilities, prepaid income and accrued expenses | | -12,832 | 6,941 |
| Cash flow from operating activities | | 4,246 | 13,652 |
| Capital expenditure | 10 | -8,129 | -10,443 |
| Income from sales of tangible fixed assets | 10 | 56 | 7,360 |
| Investments in financial assets | 11 | 0 | -1,529 |
| Income from sales of financial assets | 11 | 0 | 2,223 |
| Net cash outflow from investments in financial assets | | -209 | -1,581 |
| Net cash inflow from divestments of financial assets | | 0 | 2,855 |
| Cash used for investing activities | | -8,282 | -1,115 |
| Free cash flow | | -4,036 | 12,537 |
| Dividend paid | | -3,064 | -2,918 |
| Purchase (-) / sale (+) of treasury shares | | -98 | -29 |
| Increase (+) / decrease (-) in short-term interest-bearing liabilities | 14 | -613 | -206 |
| Increase (+) / decrease (-) in long-term interest-bearing liabilities | 18 | 37 | 285 |
| Cash flow from financing activities | | -3,738 | -2,868 |
| Translation differences | | -224 | -265 |
| Changes in liquid assets | | -7,998 | 9,404 |
| Liquid assets on December 31 | | 19,490 | 27,488 |
| Liquid assets on January 1 | | 27,488 | 18,084 |
| Changes in liquid assets | | -7,998 | 9,404 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

1.1 Principles of preparing the financial

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

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

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

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

1.2 Consolidation principles

Capital consolidation is performed according to the purchase method.

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

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

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

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

1.3 Foreign currency translation

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

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

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

1.4 Derivative financial instruments

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

1.5 Liquid assets

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

1.6 Receivables

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

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

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

1.7 Inventories and work in progress

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

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

1.8 Assets held for sale

Long-term assets whose book value is realized essentially by their sale, usually within one year, rather than by further operational utilization, are stated separately as a short-term item in the consolidated balance sheet. They are stated at the lower of book value or disposal value less cost of disposal. From the date of reclassification to the date of disposal, no further scheduled depreciation is recorded on these items.

1.9 Tangible fixed assets

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

only capitalized if they result in measurable capital appreciation in the form of higher performance or a longer useful life. Interest expenses arising during the erection of the plant are debited to income.

1.10 Financial assets

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

1.11 Intangible assets

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

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

1.12 Leasing of capital goods

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

1.13 Impairment of assets

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

1.14 Liabilities

Trade accounts payable, prepaid income as well as current and non-current financial liabilities are valued at ongoing acquisition values. Trade accounts payable and other liabilities are regarded as short-term if they mature in less than one year. This item also includes that portion of long-term liabilities that is due for repayment within one year.

1.15 Provisions

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

1.16 Pensions, payments to employees

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

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

1.17 Equity

The following distinctions are made in respect of reserves:

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

1.18 Income recognition

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

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

1.19 Income taxes

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

Temporary valuation differences arise due to differing valuations of assets and liabilities in the individual financial statements drawn up for taxation purposes and the consolidated financial statements.

Deferred income tax is calculated on all temporary valuation differences at current or future tax rates, if these are foreseeable.

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

1.20 Relationships with related parties

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

1.21 Share-based payment

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

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risks

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

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

2.2 Interest rate risk

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

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

2.3 Credit risk

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

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

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

2.4 Currency risks

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

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

2.5 Liquidity risk

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

3. SUBTOTALS ON THE INCOME STATEMENT AND CASH FLOW STATEMENT

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

3.1 Income statement

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

3.2 Cash flow statement

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

3.3 Balance sheet figures

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

4. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

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

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

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

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

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

Exchange rates

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

| | On Dec. 31, 2019 | Average in 2019 | On Dec. 31, 2018 | Average in 2018 |
|-----|------------------|-----------------|------------------|-----------------|
| BRL | 0.24037 | 0.25230 | 0.25326 | 0.26933 |
| CNY | 0.13894 | 0.14392 | 0.14297 | 0.14805 |
| EUR | 1.08743 | 1.11253 | 1.12544 | 1.15503 |
| HKD | 0.12467 | 0.12683 | 0.12556 | 0.12485 |
| THB | 0.03229 | 0.03201 | 0.03008 | 0.03027 |
| USD | 0.97090 | 0.99373 | 0.98336 | 0.97848 |

5. LIQUID ASSETS

Liquid assets include:

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|----------------------------|---------------|---------------|
| Cash | 16 | 10 |
| Postal account | 3 | 16 |
| Banks | 18,157 | 27,359 |
| Fixed-term deposits | 1,314 | 103 |
| Total liquid assets | 19,490 | 27,488 |

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

6. TRADE ACCOUNTS RECEIVABLE

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|---|---------------|---------------|
| Total trade receivables (gross) | 24,200 | 27,999 |
| Impairment charges (allowance for doubtful receivables) | -258 | -370 |
| Total trade receivables (net) | 23,942 | 27,629 |
| of which: trade receivables from third parties | 23,942 | 27,629 |

CHF 4.1 million of receivables was overdue on the balance sheet date (previous year: CHF 6.7 million), of which CHF 1.1 million by more than 30 days (previous year: CHF 2.3 million).

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

| CHF 1,000 | 2019 | 2018 |
|----------------------------------|-------------|-------------|
| Total on January 1 | -370 | -356 |
| Provision made | -15 | -15 |
| Utilized | 9 | 0 |
| Released | 117 | 0 |
| Currency translation differences | 1 | 1 |
| Total on December 31 | -258 | -370 |

7. OTHER RECEIVABLES

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|--|--------------|--------------|
| Positive fair values of derivative financial instruments | 6 | 0 |
| Other current receivables, third parties | 7,257 | 5,254 |
| Total other receivables | 7,263 | 5,254 |

Other receivables include CHF 4.6 million of current receivables from finance leases (previous year CHF 2.7 million).

8. INVENTORIES AND WORK IN PROGRESS

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|---|---------------|---------------|
| Trading goods | 508 | 562 |
| Raw material | 6,435 | 7,981 |
| Semi-finished and finished goods | 14,883 | 15,272 |
| Work in progress long-term orders | 15,349 | 17,688 |
| Work in progress other orders | 1,841 | 2,738 |
| Provisions | -7,068 | -6,647 |
| Total inventories and work in progress | 31,948 | 37,594 |

Total inventories and work in progress includes CHF 0.0 million stated at net realizable value (previous year: CHF 0.1 million).

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

| CHF 1,000 | 12/31/2019 | | 12/31/2018 | |
|--|------------|-------------|------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Work in progress long-term orders | 18,610 | -3,261 | 20,284 | -2,596 |
| Advance payments by customers | -3,261 | 7,915 | -2,596 | 15,985 |
| Net assets from work in progress long-term orders | 15,349 | 0 | 17,688 | 0 |
| Net liabilities from work in progress long-term orders | 0 | 4,654 | 0 | 13,389 |

The manufacturing costs of orders valued using the percentage-of-completion method totaled CHF 14.2 million (CHF 16.6 million in 2018). The stated income was CHF 4.4 million (CHF 3.7 million in 2018). Advance payments by customers for work in progress on other orders have also been offset against inventories.

| CHF 1,000 | 12/31/2019 | | 12/31/2018 | |
|--|------------|-------------|------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Work in progress long-term orders | 2,956 | -1,115 | 2,768 | 0 |
| Advance payments by customers | -1,115 | 2,055 | -30 | 1,067 |
| Net assets from work in progress long-term orders | 1,841 | | 2,738 | 0 |
| Net liabilities from work in progress long-term orders | 0 | 940 | 0 | 1,067 |

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

9. PREPAID EXPENSES AND ACCRUED INCOME

At CHF 0.9 million for the reporting period, prepaid expenses and accrued income are CHF 0.2 million lower than in the previous year (CHF 1.1 million). A large part of the decrease is attributable to Hungary.

10. TANGIBLE FIXED ASSETS

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

| | Land | Buildings | Production equipment and machinery | Other tangible assets | Leased equipment | Installations under construction | Total |
|--|--------------|----------------|------------------------------------|-----------------------|------------------|----------------------------------|-----------------|
| CHF 1,000 | | | | | | | |
| at cost | | | | | | | |
| at January 1, 2018 | 5,206 | 68,559 | 75,326 | 17,350 | 8,555 | 4,328 | 179,324 |
| Changes in the scope of consolidation | 0 | -423 | -5,273 | -117 | -16 | 0 | -5,829 |
| Capital expenditure | 579 | 1,794 | 11,876 | 791 | 0 | -1,181 | 13,859 |
| Disposals | -2,004 | -15,309 | -3,595 | -2,588 | 0 | -294 | -23,790 |
| Other changes/transfers | 0 | 0 | 7,748 | 1,008 | 0 | 0 | 8,756 |
| Change in accum. translation difference | -58 | -1,134 | -1,583 | -673 | -56 | -61 | -3,565 |
| at December 31, 2018 | 3,723 | 53,487 | 84,499 | 15,771 | 8,483 | 2,792 | 168,755 |
| Changes in the scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital expenditure | 0 | 2,271 | 2,939 | 266 | 931 | -604 | 5,803 |
| Disposals | 0 | -1,128 | -10,591 | -1,544 | -5,255 | 0 | -18,518 |
| Other changes/transfers | 0 | 0 | -156 | -28 | 440 | 0 | 256 |
| Change in accum. translation difference | -50 | 2,512 | 34,604 | 3,338 | -102 | 237 | 40,539 |
| at December 31, 2019 | 3,673 | 57,142 | 111,295 | 17,803 | 4,497 | 2,425 | 196,835 |
| Accumulated depreciation | | | | | | | |
| at January 1, 2018 | 0 | -34,093 | -51,125 | -14,556 | -6,755 | 0 | -106,529 |
| Changes in the scope of consolidation | 0 | 417 | 5,148 | 117 | 16 | 0 | 5,698 |
| Scheduled depreciation | 0 | -1,756 | -4,345 | -1,025 | -266 | 0 | -7,392 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 10,968 | 3,498 | 2,588 | 1 | 0 | 17,055 |
| Other changes/transfers | 0 | 0 | -7,748 | -1,008 | 0 | 0 | -8,756 |
| Change in accum. translation difference | -1 | 158 | 1,227 | 448 | 3 | 0 | 1,835 |
| at December 31, 2018 | -1 | -24,306 | -53,345 | -13,436 | -7,001 | 0 | -98,089 |
| Changes in the scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Scheduled depreciation | 0 | -1,676 | -4,482 | -795 | -393 | 0 | -7,346 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 1,129 | 10,569 | 1,533 | 5,255 | 0 | 18,486 |
| Other changes/transfers | 0 | 0 | 156 | 28 | -440 | 0 | -256 |
| Change in accum. translation difference | 1 | -3,327 | -35,733 | -3,137 | -365 | -221 | -42,782 |
| at December 31, 2019 | 0 | -28,180 | -82,835 | -15,807 | -2,944 | -221 | -129,987 |
| Book values | | | | | | | |
| at January 1, 2018 | 5,206 | 34,466 | 24,200 | 2,794 | 1,800 | 4,328 | 72,794 |
| at December 31, 2018 | 3,722 | 29,181 | 31,154 | 2,335 | 1,482 | 2,792 | 70,666 |
| at December 31, 2019 | 3,673 | 28,962 | 28,460 | 1,996 | 1,553 | 2,204 | 66,848 |
| Of which leased installations (finance Lease) | | | | | | | |
| at January 1, 2018 | 0 | 0 | 3,807 | 0 | 0 | 0 | 3,807 |
| at December 31, 2018 | 0 | 0 | 3,275 | 0 | 0 | 0 | 3,275 |
| at December 31, 2019 | 0 | 0 | 1,945 | 0 | 0 | 0 | 1,945 |
| Of which held for sale (book values) | | | | | | | |
| at January 1, 2018 | 2,004 | 4,440 | 48 | 0 | 0 | 0 | 6,492 |
| at December 31, 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| at December 31, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

As at 31 December 2019, there were outstanding orders worth CHF 1.0 million for assets that had not been delivered or invoiced and were therefore not yet recognized as tangible fixed assets (previous year: 0.0 million CHF).

As at December 31, 2019, assets under construction included CHF 0.5 million in advance payments for tangible fixed assets (previous year: CHF 0.01 million).

11. FINANCIAL ASSETS

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

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|--|--------------|--------------|
| Receivables from finance lease contracts | 4,157 | 3,606 |
| Other long-term receivables | 159 | 96 |
| Total financial assets | 4,316 | 3,702 |

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

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|------------------------------------|--------------|--------------|
| within 1 year | 4,581 | 2,664 |
| in 2 to 5 years | 4,157 | 4,125 |
| Total future leasing income | 8,738 | 6,789 |

The nominal value of these receivables totaled CHF 9.2 million (CHF 7.1 million in 2018).

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

12. INTANGIBLE ASSETS

The following statement of changes in intangible assets applies for 2019:

| CHF 1,000 | Capitalized development costs | Others | Total |
|--|-------------------------------|---------------|----------------|
| at cost | | | |
| at December 31, 2018 | | | |
| Changes in the scope of consolidation | 13,879 | 4,624 | 18,503 |
| Investments acquired | 0 | 0 | 0 |
| Investments generated in-house | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Other changes | 0 | 0 | 0 |
| Change in accumulated translation difference | -45 | -60 | -105 |
| at December 31, 2019 | 13,834 | 4,564 | 18,398 |
| Accumulated amortization | | | |
| at December 31, 2018 | -10,036 | -4,607 | -14,643 |
| Changes in the scope of consolidation | 0 | 0 | 0 |
| Scheduled depreciation | -814 | 0 | -814 |
| Impairment | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Other changes | 0 | 0 | 0 |
| Change in accumulated translation difference | 44 | 56 | 100 |
| at December 31, 2019 | -10,806 | -4,551 | -15,357 |
| Book values | | | |
| at December 31, 2018 | 3,843 | 17 | 3,860 |
| at December 31, 2019 | 3,028 | 13 | 3,041 |

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

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

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

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

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

| CHF 1,000 | 2019 | 2018 |
|--|---------------|---------------|
| Total at January 1 | 52,413 | 55,554 |
| Disposals resulting from sale of investments ¹⁾ | 0 | -3,697 |
| Currency translation differences resulting from changes in investments | 0 | 576 |
| Change in the cumulative currency difference | -419 | -20 |
| Total at December 31 | 51,994 | 52,413 |

1) at historical exchange rates

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

| CHF 1,000 | 2019 | 2018 |
|--|----------------|----------------|
| Total at January 1 | -52,381 | -54,558 |
| Disposals resulting from sale of investments ¹⁾ | 0 | 3,697 |
| Currency translation differences resulting from changes in investments | 0 | -576 |
| Simulated depreciation | -33 | -1,159 |
| Change in accumulated translation difference | 420 | 215 |
| Total at December 31 | -51,994 | -52,381 |

1) at average exchange rates

The theoretical net book value of the goodwill amounts to:

| CHF 1,000 | 2019 | 2018 |
|-----------------------------|----------|-----------|
| Total at December 31 | 0 | 33 |

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

| CHF 1,000 | 2019 | 2018 |
|--|----------------|----------------|
| Net result | 8,650 | 8,771 |
| Simulated depreciation / Impairment losses | -33 | -1,159 |
| Theoretical net result | 8,617 | 7,612 |
| Equity | 126,359 | 123,525 |
| Theoretical value of goodwill | 0 | 33 |
| Theoretical equity | 126,359 | 123,558 |

13. TRADE ACCOUNTS PAYABLE

The trade accounts payable decreased by CHF 5.8 million. There were no trade accounts payable to related parties on December 31, 2019 or at the end of the previous year.

14. SHORT-TERM INTEREST-BEARING LIABILITIES

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|---|------------|------------|
| Banks | 0 | 0 |
| Short-term leasing liabilities to third parties | 276 | 898 |
| Short-term interest-bearing liabilities | 276 | 898 |

The short-term bank loans are covered by liquid assets of CHF 19.5 million (previous year: CHF 27.5 million) (gross figures). The short-term leasing liabilities to third parties relate to the finance leases for tangible fixed assets at European locations.

15. OTHER SHORT-TERM LIABILITIES

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|--|--------------|---------------|
| Advance payments by third parties | 5,594 | 14,426 |
| Other short-term liabilities to third parties | 2,368 | 2,264 |
| Negative replacement value of derivative instruments | 2 | 0 |
| Total other short-term liabilities | 7,964 | 16,690 |

Advance payments by third parties decreased by CHF 8.8 million compared to the previous year. The other short-term liabilities to third parties totaled CHF 2.4 million as of December 31, 2019 (previous year: CHF 2.3 million). This item also includes CHF 0.04 million in payment obligations arising from the purchase of Adval Tech (Germany) GmbH & Co. KG in 2016 (previous year: CHF 0.4 million).

16. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|---|--------------|--------------|
| Face value of liabilities arising from leasing contracts due | | |
| within 1 year | 288 | 908 |
| in 2 to 5 years | 894 | 875 |
| Total future payment commitments | 1,182 | 1,783 |
| less proportionate interest on the payments | -22 | -26 |
| <i>Net present value of liabilities arising from finance leases</i> | <i>1,160</i> | <i>1,757</i> |
| of which short-term leasing liabilities | 276 | 898 |
| of which long-term leasing liabilities | 884 | 859 |

The leasing liabilities relate to leased production facilities, primarily in Germany and Switzerland. They were CHF 0.6 million down on the figure for December 31, 2018.

17. PREPAID INCOME AND ACCRUED EXPENSES

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|--|--------------|---------------|
| Accrued expenses | 4,903 | 6,182 |
| Invoices not yet received | 3,400 | 7,369 |
| Total prepaid income and accrued expenses | 8,303 | 13,551 |

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

18. LONG-TERM INTEREST-BEARING LIABILITIES

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|---|------------|------------|
| Long-term leasing liabilities – third parties | 884 | 859 |
| Total long-term interest-bearing liabilities | 884 | 859 |

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

19. FINANCIAL LIABILITIES

Recognition principles and conditions are shown in the following tables:

| | Book value (CHF 1,000) | Foreign-currency amount (1,000 units) | Maturity | Interest rate |
|------------------------------------|---------------------------|---|-----------|---------------|
| Balance on Dec. 31, 2019 | | | | |
| Bank current accounts | 0 | TEUR 0 | Current | 0.00% |
| Lease liabilities, short-term | 276 | TEUR 11 | Current | 1.0% - 3.7% |
| Lease liabilities, long-term | 884 | TEUR 303 | 1-5 years | 1.0% - 3.7% |
| Total financial liabilities | 1,160 | | | |

Financial liabilities for 2018 are as follows:

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

20. PROVISIONS

| | Warranty provisions | Payments to employees | Restructuring provisions | Other provisions | Total |
|--|------------------------|--------------------------|-----------------------------|---------------------|--------------|
| CHF 1,000 | | | | | |
| Long-term provisions at December 31, 2018 | 319 | 699 | 426 | 664 | 2,108 |
| Short-term provisions at December 31, 2018 | 5 | 0 | 0 | 1,255 | 1,260 |
| Total at December 31, 2018 | 324 | 699 | 426 | 1,919 | 3,368 |
| Change in the scope of consolidation | 0 | 0 | 0 | 0 | 0 |
| Addition | 18 | 43 | 35 | 421 | 517 |
| Utilization | -164 | 0 | 0 | -495 | -659 |
| Release of provisions no longer required | -49 | -61 | -181 | -553 | -844 |
| Difference arising from currency translation | 0 | -6 | 0 | -21 | -27 |
| Total at December 31, 2019 | 129 | 675 | 280 | 1,271 | 2,355 |
| Long-term provisions at December 31, 2019 | 112 | 675 | 0 | 493 | 1,280 |
| Short-term provisions at December 31, 2019 | 17 | 0 | 280 | 778 | 1,075 |
| Total at December 31, 2019 | 129 | 675 | 280 | 1,271 | 2,355 |

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

Provisions for restructuring include provisions of CHF 0.3 million for the site in Brasil (previous year: CHF 0.2 million).

Other provisions include CHF 0.4 million (previous year: CHF 0.8 million) for expected future payments in connection with the sale of Companies in 2016. The provision for foreign withholding taxes whose refundability is doubtful amounts to CHF 0.5 million (previous year: 0.5 million). Provisions of 0.4 million (previous year: CHF 0.5 million) were recognized for other items.

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

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

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

21. DEFERRED INCOME TAXES

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

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|------------------------------------|---------------|-------------|
| Deferred tax liabilities | -2,437 | -1,696 |
| Deferred tax assets | 3,896 | 1,119 |
| Total deferred income taxes | -1,459 | -577 |

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

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

| | 2019 | 2018 |
|--|---------------|---------------|
| Average applicable tax rate before considering loss carryforwards | 19.24% | 20.10% |
| Impact of deferred tax assets from loss carryforwards | 1.26% | -2.63% |
| Average applicable tax rate after considering loss carryforwards | 20.49% | 17.47% |

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

CHF 2.6 million in uncapitalized losses was posted in the local financial statements (2018: CHF 5.1 million). These largely stem from the investment holdings in Germany and Hungary.

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

In the year under review, a deferred tax asset of CHF 2.7 million was recognized in the income statement from expected future tax reduction in the context of the revaluation for tax purposes and future amortization of the brand Adval Tech. The other deferred tax assets are mainly derived from capitalized tax loss carryforwards.

They developed as follows:

| CHF 1,000 | 2019 | 2018 |
|--------------------------------------|--------------|--------------|
| Total at January 1 | 1,119 | 1,721 |
| Change in the scope of consolidation | 0 | -4 |
| Creation | 3,012 | 378 |
| Utilization | -205 | -937 |
| Other adjustments | 0 | 0 |
| Translation difference | -30 | -39 |
| Total at December 31 | 3,896 | 1,119 |

Provisions for deferred tax liabilities developed as follows:

| CHF 1,000 | 2019 | 2018 |
|----------------------------------|--------------|--------------|
| Total at January 1 | 1,696 | 152 |
| Change in scope of consolidation | 0 | -4 |
| Additions | 1,060 | 1,636 |
| Transfers | -317 | -88 |
| Release | 0 | 0 |
| Currency translation differences | -2 | 0 |
| Total at December 31 | 2,437 | 1,696 |

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

Tax losses amounting to CHF 22.8 million existing on December 31, 2019 (CHF 25.3 million in 2018) have not yet been utilized and no deferred tax claim for them has been included in the balance sheet.

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

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|-------------------------------|---------------|---------------|
| expiring in 1 year | 19 | 37 |
| expiring in 2 years | 418 | 19 |
| expiring in 3 years | 2,694 | 728 |
| expiring in 4 years | 5,766 | 2,408 |
| expiring in 5 years | 6,368 | 5,992 |
| expiring in more than 5 years | 7,568 | 16,147 |
| Total | 22,833 | 25,331 |

22. STATEMENT OF SHARE CAPITAL

The share capital was as follows on December 31, 2019:

| | Registered shares |
|--|-------------------|
| at January 1, 2019 | 730,000 |
| at December 31, 2019 | 730,000 |
| | fully paid up |
| Par value in CHF | 20 |
| Dividend restrictions | none |
| Voting restrictions | exist |
| Number of shares held by the Adval Tech Group on December 31 | 96 |

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

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

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

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

Holdings of treasury shares have developed as follows:

| | 2019 | 2018 |
|--|-----------|------------|
| Treasury shares held at January 1 | 0 | 507 |
| Purchases (shares) | 554 | 114 |
| Issued to employees (shares) | -458 | -621 |
| Treasury shares held at December 31 | 96 | 0 |
| Average purchase price (CHF) | 177 | 251 |
| Average value for issues (CHF) | 177 | 234 |

All treasury shares are held by Adval Tech Management AG.

Under the existing remuneration policies, 458 shares were granted to management staff in the year under review as part of their variable compensation (previous year: 621 shares).

Non-distributable reserves in the Group's shareholders' equity amounted to CHF 3.7 million at the end of the year under review (previous year: on a comparable basis to 2019, 5.7 million CHF, reported in the previous year: 11.4 million CHF)). Retained earnings do not include any revaluation reserves.

23. CAPITAL RESERVES

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

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

24. NET TURNOVER

| CHF 1,000 | 2019 | 2018 |
|--|----------------|----------------|
| Net income from deliveries and services | 146,673 | 168,765 |
| Income from manufacturing orders (valued using the percentage-of-completion method) | 28,927 | 24,866 |
| Revenue deductions | -1,980 | -2,325 |
| Total net turnover | 173,620 | 191,306 |

Net turnover for 2019 came to CHF 173.6 million, a decrease of CHF 17.7 million. The decline is due on the one hand to the general decline in demand in the automotive industry, and on the other hand to the sale of Adval Tech Thailand in August 2018.

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

25. OTHER OPERATING INCOME

| CHF 1,000 | 2019 | 2018 |
|---|--------------|--------------|
| Other operating income from third parties | 4,241 | 6,024 |
| Other operating income from related parties | 6 | 8 |
| Gains from sales of tangible fixed assets | 37 | 191 |
| Total other operating income | 4,284 | 6,223 |

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

26. COST OF MATERIALS AND SERVICES

Compared to the previous year, the cost of materials and external services decreased by CHF 8.1 million. Their share of total income increased by 0.5 percentage points to 47.0%. The slight increase is attributable to the components business.

27. PERSONNEL EXPENSES

The average number of employees decreased by 128 FTEs to 1,240 FTEs in 2019 (1,368 FTEs in 2018). The drop in average headcount is also a reflection of changes in the Group structure. The number of employees totaled 1,179 FTEs at the balance sheet date (1,288 FTEs in 2018).

28. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

There were no longer any employer contribution reserves on the balance sheet date.

In the previous year:

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

The personnel expense of CHF 1,000 recorded in 2018 results from the use of the interest on the employer contribution reserves for 2017 recorded at the end of 2017. After the use in January 2018, there were no longer any employer contribution reserves.

Financial benefit/financial obligations and pension expenses for 2019 and 2018 are as follows:

| | Surplus 12/31/2019 CHF 1,000 | Financial share of the organization 12/31/2019 | 12/31/2018 | Change vs. previous year, posted to income in financial year | Contributions accrued in the relevant period | Pension expenses in 2019 |
|---|------------------------------------|--|------------|--|---|--------------------------------|
| Pension fund of Adval Tech Holding AG incl. surplus | 0 | 0 | 0 | 0 | 1,695 | 1,695 |
| Pension fund of Adval Tech Holding AG for supervisory staff excl. surplus/shortfall | 0 | 0 | 0 | 0 | 0 | 154 |
| Total | 0 | 0 | 0 | 0 | 1,695 | 1,849 |

In the previous year:

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

1) including result from employer's contribution reserves

The pension fund of Adval Tech Holding AG is a legally independent foundation. It is subject to Swiss occupational pensions legislation. All employees of the Swiss companies in the Adval Tech Group are members of this pension fund. As at December 31, 2019, the cover ratio was 118% (previous year: 110%). The Adval Tech Group is not expected to derive any economic benefit from the pension fund.

The above data is based on the financial statements of the pension funds at December 31, 2019 (or December 31, 2018), prepared in accordance with Swiss GAAP FER 26.

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

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

29. OTHER OPERATING EXPENSES

| CHF 1,000 | 2019 | 2018 |
|--|----------------|----------------|
| Maintenance, repair, replacements, operating materials | -7,885 | -8,341 |
| Premises, energy | -4,700 | -5,964 |
| Insurance, office and administration expenses | -3,682 | -3,988 |
| Marketing, sales and distribution expenses | -3,240 | -3,912 |
| Sundry operating expenses | -231 | -528 |
| Total other operating expenses | -19,738 | -22,733 |

Other operating expenses in the reporting period were down by CHF 3.0 million on the year-back figure. In relation to total income, other operating expenses declined from 11.5% in 2018 to 11.0% in the reporting period. The "Sundry operating expenses" line item also includes CHF 0.01 million in losses on the sale of tangible fixed assets (2018: CHF 0.01 million).

30. FINANCIAL EXPENSES AND FINANCIAL INCOME

| CHF 1,000 | 2019 | 2018 |
|--|---------------|---------------|
| Interest earned | 433 | 448 |
| Currency gains | 1,729 | 1,431 |
| Gains on derivative financial instruments | 11 | 6 |
| Other financial income | 0 | 193 |
| Total financial income | 2,173 | 2,078 |
| Interest paid | -150 | -290 |
| Bank charges and fees | -169 | -163 |
| Currency losses | -2,164 | -1,439 |
| Unrealized translation differences | -100 | -357 |
| Losses on derivative financial instruments | -3 | 0 |
| Other financial expenses | -114 | -76 |
| Total financial expenses | -2,700 | -2,325 |
| Financial result | -527 | -247 |

Total currency loss of CHF 0.5 million were posted in the year under review (previous year: loss of CHF 0.4 million). The main reason for this is the strengthening of the Swiss franc against the euro.

Net interest income of CHF 0.3 million, generated by finance leases with customers, was posted in the year under review. (Previous year: net interest expense of CHF 0.2 million).

31. EXTRAORDINARY RESULT

| CHF 1,000 | 2019 | 2018 |
|---|---------------|-------------|
| Restructuring measures | -1,021 | -837 |
| Cooperation projects | -129 | 505 |
| Result from the sale of investments | -13 | 7 |
| Result from the purchase of investments | -17 | -22 |
| Extraordinary result | -1,180 | -347 |
| Non-operating result | 0 | 0 |
| Total extraordinary result | -1,180 | -347 |

The restructuring expenses posted in the year under review relate to the relocation of the plant in Suzhou, China.

The restructuring expenses posted in 2018 relate to the restructuring projects launched in 2016 at the locations in Switzerland, Germany and Hungary.

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

32. INCOME TAXES

| CHF 1,000 | 2019 | 2018 |
|--|-----------|---------------|
| Current income taxes | -1,976 | -900 |
| Change in provision for deferred taxes | 2,064 | -2,107 |
| Total tax expenses | 88 | -3,007 |

In the year under review deferred tax assets of CHF 2.7 million were recognized in income from expected future tax reductions in the context of the tax revaluation and future amortization of the Adval Tech brand.

The change in provisions for deferred taxes includes CHF 0.2 million from capitalized losses carried forward (CHF -0.6 million in 2018). Provisions of CHF 0.8 million were also made for deferred tax liabilities arising from temporary differences in 2019.

33. NET RESULT PER SHARE

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

34. INCOME BY REGIONEN

Income by region is as follows:

| CHF 1,000 | 2019 | 2018 |
|------------------------------|----------------|----------------|
| Net turnover | 173,620 | 191,306 |
| | 100% | 100% |
| <i>Europe</i> | <i>127,144</i> | <i>135,372</i> |
| - of which Switzerland | 20,476 | 9,439 |
| - of which Germany | 64,039 | 90,331 |
| - of which France | 5,145 | 6,388 |
| <i>Asia</i> | <i>14,699</i> | <i>23,069</i> |
| - of which China | 8,922 | 14,247 |
| <i>North America</i> | <i>9,414</i> | <i>11,311</i> |
| <i>Latin America</i> | <i>21,621</i> | <i>20,447</i> |
| <i>Australia and Oceania</i> | <i>595</i> | <i>734</i> |
| <i>Africa</i> | <i>147</i> | <i>373</i> |
| | 0% | 0% |

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

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

35. PLEDGED ASSETS

The carrying amount of pledged items of tangible fixed assets amounted to CHF 1.1 million as of December 31, 2019 (previous year: CHF 1.7 million). The pledge listed serves as security for bank loans and credit lines.

36. CONTINGENT AND FUTURE LIABILITIES

| CHF 1,000 | 12/31/2019 | 12/31/2018 |
|--|------------|------------|
| Contingent liabilities in favor of third parties | 4,590 | 15,141 |
| Liabilities arising from leases | 8,835 | 8,945 |
| Liabilities arising from operating leases | 1,955 | 576 |

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

Future rental payments fall due as follows: CHF 1.5 million (CHF 1.6 million in 2018) within 1 year, CHF 5.4 million (CHF 3.9 million in 2018) in 2 to 5 years, CHF 1.9 million (CHF 3.4 million in 2018) in more than 5 years.

Payments deriving from operating leases fall due as follows: CHF 0.6 million (CHF 0.4 million in 2018) within 1 year, CHF 1.4 million (CHF 0.2 million in 2018) within 2 to 5 years.

37. FINANCIAL INSTRUMENTS

Market values are calculated on the basis of individual valuations of the outstanding instruments at the balance sheet date. On the balance sheet date (December 31, 2019), the following financial instruments existed to limit financial risks:

| Currency | Instrument | Contract value local currency 1,000 | Replacement value | |
|--------------|-----------------------------|--|-------------------|-----------------------|
| | | | positive | CHF 1,000 negative |
| EUR | Forward transactions / swap | 1,190 | 6 | 2 |
| Total | | 1,190 | 6 | 2 |

At the end of 2019 there were no financial instruments to limit financial risks.

The positive replacement values in 2019 are included in “other receivables” (Note 7).

The negative replacement values are included in “other short-term liabilities” (Note 15).

38. TRANSACTIONS WITH RELATED PARTIES

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

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

No turnover was generated with related parties 2018 and in the year under review. As at the balance sheet dates, no receivables were due from related parties and there were no liabilities to related parties.

39. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred since the balance sheet date that would detract from the information value of the consolidated financial statements as of December 31, 2019.

However, the events surrounding the outbreak of the corona virus from the end of January 2020 will have an impact on business activities in 2020, and in this context the production plant in Suzhou, China, was temporarily closed by the authorities. It is still too early to assess the economic impact on the Adval Tech Group in 2020.

40. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were released on March 26, 2020 for publication by the Board of Directors of Adval Tech Holding AG and a motion for their approval was submitted to the Annual General Meeting of shareholders of Adval Tech Holding AG.

Deloitte.

Deloitte AG
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8022 Zurich
Switzerland

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Fax: +41 (0)58 279 6600
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Statutory Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements (pages 68 – 103) of Adval Tech Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Other Matter

The consolidated financial statements of Adval Tech Holding AG for the year ended 31 December 2018 were audited by another auditor whose report, dated 21 March 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Swiss law, and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our Audit Approach

| | |
|--------------------------|---|
| Key audit matters | Revenue recognition |
| Materiality | CHF 970'000 |
| Scoping | - 95% of revenue - 93% of total assets |

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Our application of materiality

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

We determined materiality for the group to be CHF 970'000, which is 10% of adjusted pre-tax profit.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 48'500, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We have therefore set this so-called non-take-up limit at 5% of the Group's materiality. Nevertheless, we will report uncorrected or corrected errors below this threshold if we consider them to be qualitatively material.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work for 5 group companies in 4 countries. These were subject to a full audit. These 5 group companies in 4 countries represent the principal business units and account for 72% of the group's revenue and 65% of the group's net assets. In addition, we conducted a Specific Scope audit for 6 Group companies in 5 countries. These 6 Group companies account for 23% of sales and 28% of total assets in the consolidated financial statements. In total, our full and specific scope audits cover 95% of sales and 93% of the balance sheet total of the consolidated financial statements.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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Revenue recognition

Key audit matter

The Adval Tech Group generates sales from various subdivisions as defined in Note 1.18 (Recognition of income), 24 (Net sales) and 8 (Inventories and work in progress) in the notes to the consolidated financial statements for 2019. The two main areas of sales are income from volume components supplied to third parties (sales of volume production / components and subassemblies) of CHF 147 million in the 2019 financial year and income from tooling sales (sales of production and trading tools / tool and systems manufacturing) of CHF 29 million in the 2019 financial year.

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

We consider the recognition of revenue from long-term construction contracts to be a particularly important audit issue due to the risk that revenue recognition is not loss-free, depending on the stage of completion, by applying the percentage of completion (PoC) principles and is therefore correctly reflected in the consolidated financial statements.

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

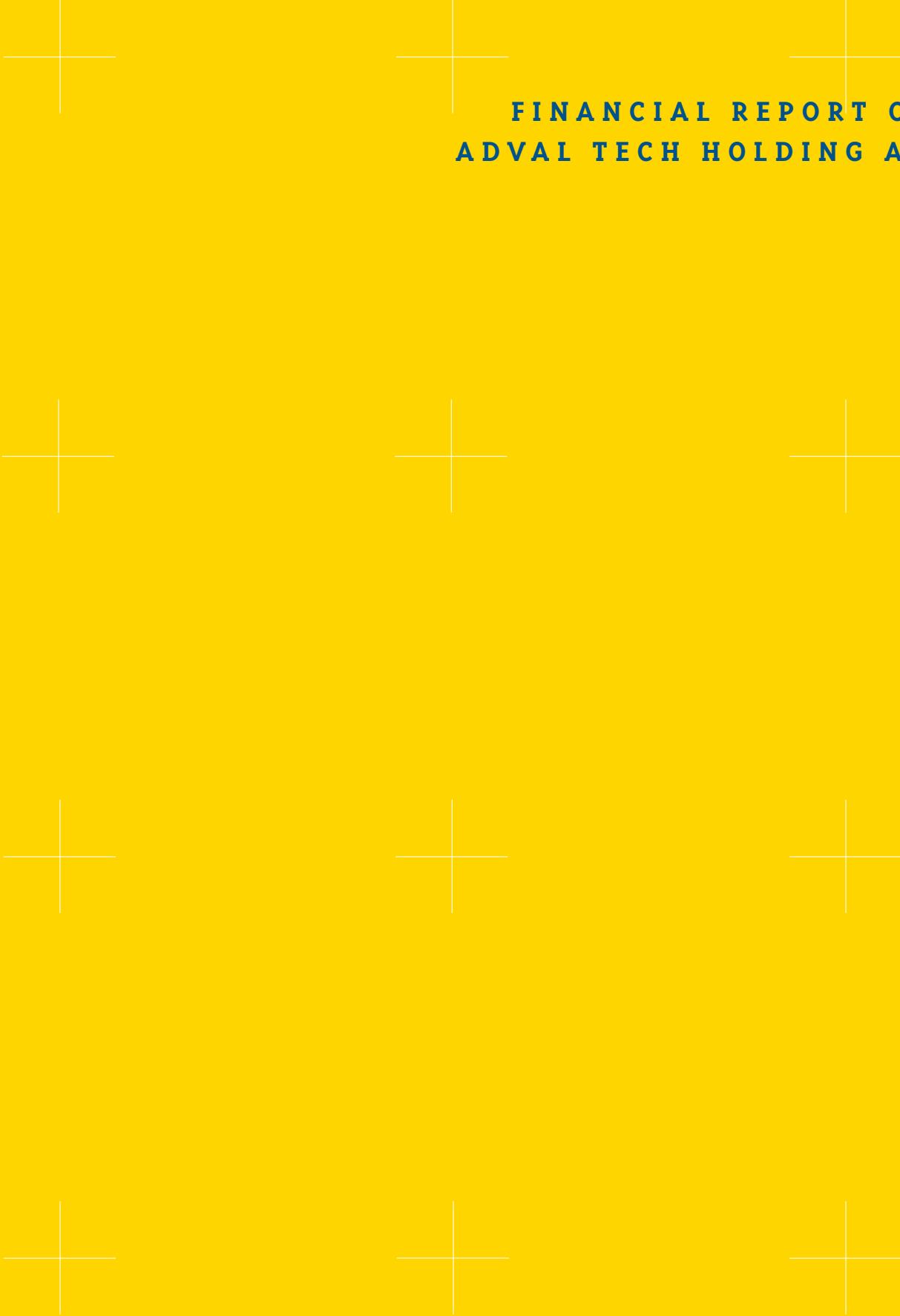
We recommend that the consolidated financial statements submitted to you be approved.

Deloitte AG

Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Christophe Aebi
Licensed Audit Expert

Zurich, 26 March 2020



**FINANCIAL REPORT OF
ADVAL TECH HOLDING AG**

FINANCIAL REPORT OF ADVAL TECH HOLDING AG

1. BALANCE SHEET

| CHF | Notes | 12/31/2019 | 12/31/2018 |
|---|-------|--------------------|--------------------|
| Current assets | | | |
| Liquid assets | | 6,679,403 | 12,135,144 |
| Trade accounts receivable | | 2,871,770 | 2,721,411 |
| – from third parties | | 6,686 | 541 |
| – from Group companies | 2.1 | 2,865,084 | 2,720,870 |
| Prepaid expenses and accrued income | | 3,329 | 2,667 |
| Total current assets | | 9,554,502 | 14,859,222 |
| Fixed assets | | | |
| Long-term receivables from Group companies | 2.2 | 47,848,400 | 59,205,337 |
| Investments in Group companies | 2.3 | 88,428,100 | 75,585,282 |
| Total fixed assets | | 136,276,500 | 134,790,619 |
| Total assets | | 145,831,002 | 149,649,841 |
| Short-term liabilities | | | |
| Trade accounts payable | | 11,944 | 61,368 |
| – to third parties | | 11,944 | 61,368 |
| Short-term interest-bearing liabilities | 2.4 | 2,794,143 | 4,203,972 |
| – to third parties | | 0 | 0 |
| – to Group companies | | 2,794,143 | 4,203,972 |
| Other liabilities | | 31,615 | 8,514 |
| – to third parties | | 18,534 | 0 |
| – to Group companies | 2.5 | 13,081 | 8,514 |
| Prepaid income and accrued expenses | | 83,939 | 88,919 |
| Current provisions | | 419,397 | 616,506 |
| Total short-term liabilities | | 3,341,038 | 4,979,279 |
| Long-term liabilities | | | |
| Long-term interest-bearing liabilities | | 494,000 | 456,000 |
| Total long-term liabilities | | 494,000 | 456,000 |
| Total liabilities | | 3,835,038 | 5,435,279 |
| Shareholders' equity | | | |
| Share capital | | 14,600,000 | 14,600,000 |
| Legal capital reserves | 2.6 | 61,032,736 | 64,096,409 |
| Legal retained earnings | | 9,517,000 | 9,500,000 |
| – General legal retained earnings | | 9,500,000 | 9,500,000 |
| – Reserve for treasury shares | | 17,000 | 0 |
| Voluntary retained earnings | | 11,267,611 | 11,284,611 |
| Profit carried forward | | 44,733,542 | 40,017,242 |
| Profit for the year | | 845,075 | 4,716,300 |
| Total shareholders' equity | | 141,995,964 | 144,214,562 |
| Total liabilities and shareholders' equity | | 145,831,002 | 149,649,841 |

2. INCOME STATEMENT

| CHF | Notes | 2019 | 2018 |
|---|-------|----------------|------------------|
| Income from equity interests | 2.7 | 22,453,822 | 3,857,847 |
| Other income | | 2,667 | 2,634 |
| Other operating expenses | 2.8 | -1,131,900 | -1,076,180 |
| Amortization/depreciation and impairment losses on non-current assets | 2.9 | -18,832,287 | -250,000 |
| Financial income | 2.10 | 244,309 | 2,539,837 |
| Financial expenses | 2.11 | -1,845,392 | -3,008,686 |
| Operating result before taxes | | 891,219 | 2,065,452 |
| Extraordinary, non-recurring or prior period income | 2.12 | 0 | 3,035,676 |
| Extraordinary, non-recurring or prior period expenses | 2.12 | -46,144 | -384,828 |
| Result for the year before taxes | | 845,075 | 4,716,300 |
| Direct taxes | | 0 | 0 |
| Profit for the year | | 845,075 | 4,716,300 |

NOTES TO THE FINANCIAL STATEMENTS 2019

1. MEASUREMENT PRINCIPLES APPLIED IN THE FINANCIAL STATEMENTS

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

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

2. INFORMATION, BREAKDOWNS AND EXPLANATORY NOTES

2.1 Trade accounts receivable – from Group companies

| CHF | 12/31/2019 | 12/31/2018 |
|--|------------------|------------------|
| Adval Tech Management AG, Niederwangen, Switzerland | 27,856 | 41,629 |
| Adval Tech Immobilien AG, Niederwangen, Switzerland | 0 | 0 |
| Adval Tech (Switzerland) AG, Niederwangen, Switzerland | 2,862 | 6,024 |
| Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil | 2,470,880 | 2,319,156 |
| Adval Tech (Hungary) Kft., Szekszárd, Hungary | 0 | 0 |
| Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary | 20,919 | 15,236 |
| Adval Tech US Inc., Cleveland, USA | 0 | 0 |
| Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico | 84,204 | 60,511 |
| Adval Tech Holding (Germany) GmbH & Co. KG, Endingen, Germany | 0 | 1,619 |
| Adval Tech Holding (Germany) GmbH, Endingen, Germany | 258,363 | 276,695 |
| Total Group companies | 2,865,084 | 2,720,870 |

2.2 Long-term receivables from Group companies

| CHF | 12/31/2019 | 12/31/2018 |
|--|-------------------|-------------------|
| Adval Tech Management AG, Niederwangen, Switzerland (subordinated) | 800,000 | 500,000 |
| Adval Tech Immobilien AG, Niederwangen, Switzerland | 0 | 0 |
| Adval Tech (Switzerland) AG, Niederwangen, Switzerland | 0 | 2,263,000 |
| Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil | 350,000 | 600,000 |
| Adval Tech (Hungary) Kft., Szekszárd, Hungary | 0 | 0 |
| Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary | 0 | 2,941,900 |
| Adval Tech US Inc., Cleveland, USA | 0 | 0 |
| Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico | 264,700 | 5,059,254 |
| Adval Tech Holding (Germany) GmbH, Endingen, Germany | 46,433,700 | 47,841,183 |
| Total Group companies | 47,848,400 | 59,205,337 |

2.3 Investments in Group companies

| Company | | Share capital | 12/31/2019 | | Share capital | 12/31/2018 | | 12/31/2019 Book value | 12/31/2018 Book value |
|--|-----|---------------|------------|--|---------------|------------|--|--------------------------|--------------------------|
| | | | 100% | Share of capital and votes in % | | 100% | Share of capital and votes in % | | |
| Adval Tech Management AG, Niederwangen, Switzerland | CHF | 100,000 | 100% | 100% | 100,000 | 100% | 100% | 0 | 0 |
| Management of equity interests | | | | | | | | | |
| Adval Tech Immobilien AG, Niederwangen, Switzerland | CHF | 100,000 | 100% | 100% | 100,000 | 100% | 100% | 100,000 | 100,000 |
| Holding and management of properties | | | | | | | | | |
| Adval Tech (Switzerland) AG, Niederwangen, Switzerland | CHF | 3,050,000 | 100% | 100% | 3,050,000 | 100% | 100% | 17,650,000 | 15,866,000 |
| Stamping and forming technology | | | | | | | | | |
| Adval Tech US Inc., Cleveland, USA | USD | 1 | 100% | 1 | 100% | 1 | 100% | 0 | 0 |
| Stamping and forming technology | | | | | | | | | |
| Adval Tech do Brasil Indústria de Autopeças Ltda., São José dos Pinhais PR, Brazil* | BRL | 150,873 | 100% | 150,873 | 100% | 727,100 | 0 | 0 | 0 |
| | USD | 360,000 | | 360,000 | | | 0 | 0 | 0 |
| Stamping and forming technology | | | | | | | | | |
| Adval Tech (Hungary) Kft., Szekszárd, Hungary | EUR | 990,000 | 100% | 990,000 | 100% | 29,374,000 | 20,000,000 | | |
| Plastic components | | | | | | | | | |
| Adval Tech (Hungary) Plant 2 Kft., Szekszárd, Hungary | EUR | 11,000 | 100% | 10,000 | 100% | 0 | 3,977,539 | | |
| Stamping and forming technology | | | | | | | | | |
| Adval Tech (Mexico) S.A. de C. V., Querétaro, Mexico* | MXN | 50,000 | 100% | 50,000 | 100% | 0 | 1,696,740 | | |
| Plastic components | | | | | | | | | |
| Adval Tech (Grenchen) AG, Grenchen, Switzerland | CHF | 2,000,000 | 100% | 2,000,000 | 100% | 6,470,000 | 6,470,000 | | |
| Plastic components | | | | | | | | | |
| Adval Tech Holdings (Asia) Pte. Ltd, Singapore | USD | 2,266,500 | 100% | 13,517,000 | 100% | 25,909,500 | 19,277,500 | | |
| Holdings in companies | | | | | | | | | |
| Adval Tech (Suzhou) Co. Ltd, Suzhou, China | USD | 9,660,000 | 100% | 9,660,000 | 100% | 3,500,000 | 3,500,000 | | |
| Plastic components | | | | | | | | | |
| Adval Tech (Malaysia) Sdn. Bhd., Johor Bahru, Malaysia | USD | 505,000 | 100% | 505,000 | 100% | 6,000,000 | 6,000,000 | | |
| Plastic components | | | | | | | | | |
| Omni Plastics (Shanghai) Co. Ltd, Shanghai, China | USD | 1,100,000 | 100% | 1,100,000 | 100% | 32,000 | 32,000 | | |
| Trading | | | | | | | | | |
| Omni Engineering (Shanghai) Co. Ltd, Shanghai, China | USD | 2,800,000 | 100% | 2,800,000 | 100% | 0 | 0 | | |
| Trading | | | | | | | | | |
| Carryover | | | | | | 80,230,600 | 67,387,779 | | |

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

| Company | | Share capital | 12/31/2019 | | 12/31/2018 | | 12/31/2019 | | 12/31/2018 | |
|--|-----|------------------|-------------|---------------------------------|-------------|---------------------------------|-------------------|-----|-------------------|-----|
| | | | 100% | Share of capital and votes in % | 100% | Share of capital and votes in % | Book value | CHF | Book value | CHF |
| Carryover | | | | | | | 80,230,600 | | 67,387,779 | |
| Adval Tech Holding (Germany) GmbH, Endingen, Germany | EUR | 25,000 | 100% | 25,000 | 100% | | 8,197,500 | | 8,197,503 | |
| Holdings in companies / Holding and management of properties | | | | | | | | | | |
| <i>Adval Tech (Germany) GmbH & Co. KG, Endingen, Germany</i> | EUR | <i>1,132,000</i> | <i>100%</i> | <i>1,132,000</i> | <i>100%</i> | | <i>16,948,060</i> | | <i>16,948,060</i> | |
| <i>Tools and metal components</i> | | | | | | | | | | |
| <i>Adval Tech (Germany) Verwaltungs GmbH, Endingen, Germany</i> | EUR | <i>51,000</i> | <i>100%</i> | <i>51,000</i> | <i>100%</i> | | <i>122,077</i> | | <i>122,077</i> | |
| <i>Unlimited liability partner of Adval Tech (Germany) GmbH & Co. KG</i> | | | | | | | | | | |
| Total equity interests | | | | | | | 88,428,100 | | 75,585,282 | |

Indirect investment holdings are printed in italics.

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

The indirectly held participation in Adval Tech (Thailand) Co. Ltd, Rayong, Thailand, was sold in the previous year.

2.4 Short-term interest-bearing liabilities

| CHF | 12/31/2019 | 12/31/2018 |
|--|------------------|------------------|
| Adval Tech Immobilien AG, Niederwangen, Switzerland | 150,000 | 0 |
| Adval Tech (Switzerland) AG, Niederwangen, Switzerland | 2,154,000 | 0 |
| Adval Tech (Hungary) Kft., Szekszárd, Hungary | 344,143 | 1,703,972 |
| Adval Tech (Grenchen) AG, Switzerland | 146,000 | 2,500,000 |
| to Group companies | 2,794,143 | 4,203,972 |
| Total short-term interest-bearing liabilities | 2,794,143 | 4,203,972 |

2.5 Other liabilities – to Group companies

| CHF | 12/31/2019 | 12/31/2018 |
|---|---------------|--------------|
| Adval Tech Immobilien AG, Niederwangen, Switzerland | 291 | 0 |
| Adval Tech (Hungary) Kft., Szekszárd, Hungary | 6,734 | 2,264 |
| Adval Tech (Grenchen) AG, Grenchen, Switzerland | 6,056 | 6,250 |
| Total other liabilities – to Group companies | 13,081 | 8,514 |

2.6 Legal capital reserves

This item consists of the shareholders' capital contributions.

2.7 Income from Group equity

| CHF | 2019 | 2018 |
|---|-------------------|------------------|
| Income from equity interests | 18,517,100 | 0 |
| Loan interest income | 1,657,540 | 1,638,851 |
| Corporate service fees | 358,182 | 399,996 |
| Brand license fees | 1,921,000 | 1,819,000 |
| Total income from equity interests | 22,453,822 | 3,857,847 |

2.8 Other operating expenses

| CHF | 2019 | 2018 |
|---------------------------------------|-------------------|-------------------|
| Property insurance and fees | -6,910 | -6,000 |
| Office and administrative expenses | -1,078,804 | -1,035,095 |
| Sales and distribution expenses | 0 | -8,281 |
| Other expenses | -46,186 | -26,804 |
| Total other operating expenses | -1,131,900 | -1,076,180 |

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

| CHF | 2019 | 2018 |
|--|--------------------|-----------------|
| Impairment losses on equity interests | -6,773,732 | -250,000 |
| Impairment losses on loans | -12,058,555 | 0 |
| Total amortization/depreciation and impairment losses on non-current assets | -18,832,287 | -250,000 |

2.10 Financial income

| CHF | 2019 | 2018 |
|--|----------------|------------------|
| Financial income from third parties | 161,882 | 62,025 |
| Foreign currency gains/losses, Group companies | 82,427 | 2,477,812 |
| Total financial income | 244,309 | 2,539,837 |

2.11 Financial expenses

| CHF | 2019 | 2018 |
|--|-------------------|-------------------|
| Bank interest expense | -49,724 | -123,238 |
| Foreign withholding taxes | -68,355 | -49,873 |
| Bank fees | -1,309 | -3,771 |
| Other financial expenses | -90,906 | -60,566 |
| Foreign currency gains/losses, third parties | -277,296 | -159,305 |
| Loan interest expense, Group companies | -51,718 | -408,701 |
| Foreign currency gains/losses, Group companies | -1,306,084 | -2,203,232 |
| Total financial expenses | -1,845,392 | -3,008,686 |

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

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

The extraordinary income and expenses in the year under review, reported in 2018, is related to costs in connection with the sale of the indirect investment in Thailand, the acquisition of the interest in Adval Tech (Germany) GmbH & Co. KG and the sale of the investment in FOBOHA GmbH in the previous year, which were only incurred in the year under review.

3. MISCELLANEOUS DISCLOSURES

Full-time employees

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

Treasury shares including interests in subsidiaries (book values)

| | Number in 2019 | Value in 2019 | Number in 2018 | Value in 2018 |
|--------------------|----------------|---------------|----------------|---------------|
| January 1 | 0 | 0 | 507 | 116,896 |
| Purchase (details) | 554 | 98,107 | 114 | 28,587 |
| Sale (details) | -458 | -81,107 | -621 | -145,483 |
| December 31 | 96 | 17,000 | 0 | 0 |

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

Participation rights of Board of Directors and Executive Management

A total of 458 registered shares were allotted to the management in 2019. In the previous year, a total of 621 registered shares were allotted to members of the management. The allocation was made in the context of the variable remuneration payment in May of each year, following approval by the annual general meeting of Adval Tech Holding AG.

| | Number in 2019 | Value in 2019 | Number in 2018 | Value in 2018 |
|--|----------------|---------------|----------------|----------------|
| Issued to members of Board of Directors and Executive Management | 458 | 81,107 | 621 | 145,483 |
| Issued to employees | 0 | 0 | 0 | 0 |
| Total | 458 | 81,107 | 621 | 145,483 |

Sureties to third parties

| | 2019 | 2018 |
|------------|-----------|------------|
| Guarantees | 4,590,117 | 15,141,178 |

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

Major shareholders

As at December 31, 2019, according to the share register, the following shareholders held over 3% of the registered share capital recorded in the Commercial Register:

| Ownership interest (as last reported) | 12/31/2019 | 12/31/2018 |
|---|------------|------------|
| Dr. h.c. Willy Michel* | 28.9% | 23.8% |
| Artemis Beteiligungen I AG, Hergiswil ¹⁾ | 21.5% | 21.2% |
| Grapha Holding AG, Hergiswil ²⁾ | 8.8% | 8.8% |
| J. Safra Sarasin Investment Fonds AG* | 8.5% | 8.5% |
| Hansruedi Bienz | 7.5% | 7.5% |
| Einfache Gesellschaft Dreier ³⁾ | 3.5% | 3.5% |

Beneficial owners:

1) Michael Pieper, Hergiswil, Switzerland

2) Rudolf B. Müller, Hergiswil, Switzerland

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

* Effective amount of holding as at December 31, 2019 and December 31, 2018.

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

As at December 31, 2019, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the Company's equity securities:

| Position as at December 31, 2019 | | 12/31/2019 (Number) | 12/31/2018 (Number) |
|----------------------------------|--|------------------------|------------------------|
| Dr. h.c. Willy Michel | Chairman of the Board | 211,298 | 173,810 |
| Hans Dreier | Member of the Board of Directors, Head IT/Logistics/Legal | 13,450 | 13,422 |
| Christian Mäder | Member of the Board of Directors | – | – |
| Dr. Roland Waibel | Member of the Board of Directors | 200 | 200 |
| René Rothen | CEO | 1,540 | 1,340 |
| Markus Reber | CFO | 711 | 596 |
| Valeria Poretti | Head Corporate HR/Communication | 754 | 639 |

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

| CHF | 2019 | 2018 |
|---|------------|------------|
| Retained earnings carried forward | | |
| Retained earnings at the beginning of the financial year | 44,733,542 | 40,050,042 |
| Transfer capital reserves | | -32,800 |
| Profit for the year | 845,075 | 4,716,300 |
| Retained earnings at the disposal of the General Meeting | 45,578,617 | 44,733,542 |
| Capital contribution reserves carried forward | | |
| Legal capital reserves at the beginning of the financial year | 61,032,736 | 64,061,141 |
| Board of Directors' proposal to the General Meeting | | |
| – Transfer to profit carried forward | -985,370 | -3,066,000 |
| – Transfer to voluntary retained earnings ¹⁾ | 0 | 35,268 |
| Legal capital reserves to be carried forward | 60,047,366 | 61,030,409 |

| CHF | 2019 Board of Directors' proposal | 2018 General Meeting resolution |
|--|---|---------------------------------------|
| Board of Directors' proposal regarding appropriation of retained earnings | | |
| Retained earnings at the disposal of the General Meeting | 45,578,617 | 44,733,542 |
| Transfer from the capital reserve | 985,370 | 3,066,000 |
| Distribution to shareholders from capital reserve ²⁾ | -985,370 | -3,066,000 |
| Distribution to shareholders from retained earnings ²⁾ | -985,370 | 0 |
| To be carried forward | 44,593,247 | 44,733,542 |

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

2) The amounts are based on the number of shares eligible for distributions as at the reference date December 31, 2019 (previous year: December 31, 2018), and may change as a result of treasury share transactions after the reference date.

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Statutory Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Adval Tech Holding AG (pages 110 – 120), which comprise the balance sheet as at 31 December 2019 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Other Matter

The financial statements of Adval Tech Holding AG for the year ended 31 December 2018 were audited by another auditor whose report, dated 21 March 2019 expressed an unqualified opinion on those financial statements.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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

Key audit matter

Adval Tech Holding Ltd has significant accounts receivable from other group companies and holds the corresponding participating interests in accordance with notes 2.2 (Long-term receivables from group companies) and 2.3 (Participating interests) in the notes to the financial statements of Adval Tech Holding Ltd for 2019.

Long-term receivables from group companies of the Adval Tech Group amounted to CHF 48 million at the end of 2019. At the end of 2019, investments amounted to CHF 88 million (ca. 90% of total assets).

We consider the assessment of the recoverability of the Group's assets (investments and long-term receivables from Group companies) to be particularly important due to the discretionary powers of management in the area of discount rates and growth rates used in impairment testing, the strained earnings situation in individual countries and the material balance sheet values. The recoverability of investments and long-term receivables is assessed together because management considers and values long-term loans and investments as a single unit per entity.

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

In order to assess the recoverability of non-current group assets and investments, we have assessed the impairment tests conducted by management for the main companies in the Adval Tech Group with regard to the following issues:

- assessing future prospects on the basis of the multiannual plan approved by the Board of Directors.
- Comparison of the current results of the respective companies with the corresponding budgets to retrospectively verify the accuracy of the budget forecasts.
- Review of the valuation of non-current receivables from Group companies by estimating positive equity capital, plausibility check of the most important parameters of the impairment tests using sensitivity analyses and assessment of forecast earnings and long-term growth rates by comparing them with order intake.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte AG

Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Christophe Aebi
Licensed Audit Expert

Zurich, 26 March 2020

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Forward-looking statements

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

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

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