advaltech

ANNUAL REPORT 2006

COMPETENCE IN METALS AND PLASTICS

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The German text is authoritative.

KEY FIGURES OF THE ADVAL TECH GROUP

	2006[1)]	2005[1)]	2004[2)]	2003[3)]	2002[3)]
Total income (CHF millions)					
Group	275.765	251.871	262.853	240.969	172.973
change in %	+9.5	-4.2	+9.1	+39.3	-2.4
per employee (CHF thousands)	245.124	224.484	247.041	240.248	213.021
Stamping and Forming Division	137.439	130.831	115.147	100.332	97.290
Injection Molding Division	138.454	121.151	148.952	141.647	76.138
EBITDA (CHF millions)					
Operating earnings before depreciation	29.1	27.7	42.6	43.7	31.5
in % of total income	10.6	11.0	16.2	18.1	18.2
Stamping and Forming Division	16.6	14.8	14.6	10.4	10.1
Injection Molding Division	11.7	12.5	27.1	33.4	20.6
EBIT (CHF millions)					
Operating earnings	7.3	5.1	20.2	25.7	15.9
in % of total income	2.6	2.0	7.7	10.7	9.2
Stamping and Forming Division	6.6	3.0	2.7	3.3	2.0
Injection Molding Division	0.5	1.9	16.8	22.9	13.4
Net profit (CHF millions)					
Net profit for the year	4.0	3.8	13.3	17.1	10.8
in % of total income	1.4	1.5	5.1	7.1	6.2
Cash flow and capital expenditure (CHF millions)					
Cash flow from operations	29.8	32.8	14.4	34.3	35.4
Operative free cash flow	15.9	12.0	3.4	15.4	23.8
Free cash flow	15.6	6.6	3.9	-14.0	23.8
Capital expenditure	14.0	20.6	12.4	19.8	15.5
Balance sheet figures (CHF millions)					
Total assets	291.6	276.4	266.0	254.8	216.8
Shareholders' equity	122.3	122.5	120.6	109.2	115.4
in % of total assets	41.9	44.3	45.3	42.9	53.2
Employees					
on December 31	1,121	1,129	1,108	1,013	828
Market capitalization (CHF millions)					
on December 31	196.7	187.6	211.7	169.8	106.8
Selected key figures per share					
Earnings (CHF)	10.91	10.52	37.24	48.98	30.75
Dividend (CHF)	6.00[4)]	14.00	14.00	14.00	12.00
Payout ratio in %	55.0	133.1	37.6	28.6	39.0
P/E ratio on December 31	49.4	48.9	15.6	9.9	9.9

1) IFRS
2) IFRS restated
3) Swiss GAAP FER
4) Proposed by the Board of Directors

SHARE STATISTICS AND PRICE TRENDS

Share statistics

Ticker symbols:

Swiss security no. 896 792

Telekurs ADVN

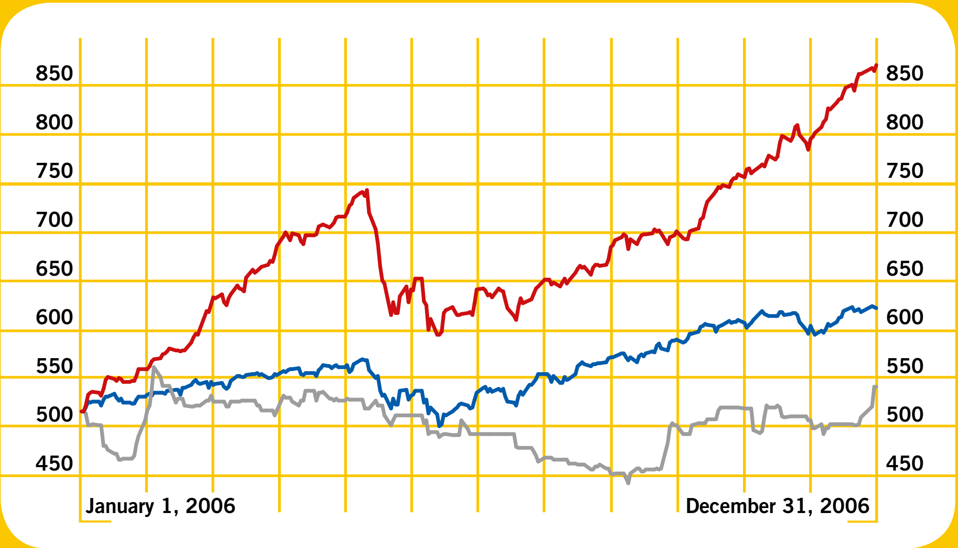
Bloomberg ADVN SW

	2006	2005
Registered shares	**365,000**	**365,000**
EBIT per share (CHF)	19.89	14.05
Net profit per share (CHF)	10.91	10.52
Shareholders' equity per share (CHF)	334.96	335.64
Dividend per share (CHF)	6.00[1)]	14.00
Payout ratio (%)	55.0	133.1
P/E ratio	49.4	48.9
Market prices (CHF)		
Low (9.07.06/12.29.05)	440.00	507.00
High (2.03.06/2.10.05)	559.50	640.00
December 31	539.00	514.00
Market capitalization (CHF millions)		
Low (9.7.06/12.29.05)	160.60	185.06
High (2.3.06/2.10.05)	204.22	233.60
December 31	196.74	187.61

1) Proposed by the Board of Directors

Price trends

January 1, 2006, to December 31, 2006 (CHF)



Swiss Performance Index, adjusted

Price of Adval Tech shares

Swiss Machinery Industry index, adjusted

CONTENTS

The Stamping and Forming Division achieved its best result for 15 years.

The Injection Molding Division improved significantly in the second half of 2006. Nevertheless, the earnings situation is unsatisfactory.

This aluminum component acts as a cooling disc and support for the xenon light control unit in vehicle lamps.

DEAR SHAREHOLDERS:

As expected, 2006 was a year of renewal and transition for the Adval Tech Group. We had to put the strategy adjustment into practice and implement the operational steps associated with it. The handover between generations on the Board of Directors and in group management also had to be completed successfully.

At the end of August we had to report unsatisfactory results for the first six months. The Stamping and Forming Division had made encouraging progress, but the disappointing outcome at the Injection Molding Division was of greater consequence.

A substantial improvement in the second half of the year made up for the poor results in the January–June period. Overall operating earnings exceeded those of the previous year, thus fulfilling the expectations we had expressed at the end of summer 2006.

The group's total income of CHF 275.8 million was 9.5% higher than the previous year's figure. Operating earnings (EBIT) of CHF 7.3 million represented an improvement of CHF 2.2 million compared with 2005, and net profit of CHF 4.0 million an increase of CHF 0.2 million. Operating free cash flow was again pleasing with a figure of CHF 15.9 million (CHF 12.0 million in 2005).

The Stamping and Forming Division (Styner+Bienz) reported its best results in the past 15 years, thus confirming the trend that had already started in 2001 with various actions taken at the strategic and operating level. While total income rose by some 5% compared with the previous year to CHF 137.4 million, the division's operating earnings (EBIT) more than doubled, with a margin of 4.8%. The focus on the automotive market, together with efforts to increase customer and market penetration, finally bore fruit.

The Injection Molding Division reported a substantial increase in total income to CHF 138.5 million (+14.3%), but operating earnings (EBIT) declined again by CHF 1.4 million to CHF 0.5 million. In particular, the two moldmaking companies – AWM and Foboha – posted disappointing results. At AWM the worldwide slump in the optical disc market and the resulting inadequate utilization of capacity were the main reasons for the poor outcome, while at Foboha this was attributable to development work at the company's own risk and special charges in connection with the move to the expanded premises in Haslach. On the other hand, the volume components business made positive progress, and the general trend in the Injection Molding Division is also encouraging. Following the low point in the second half of 2005 we reported negative operating earnings (EBIT) of CHF -1.6 million in the first half of 2006. In the second half of 2006 we at least succeeded in generating positive operating earnings (EBIT) of CHF 2.1 million. The action already initiated will result in further significant improvements in the Injection Molding Division.

We completed the review of group strategy during the first half of 2006 and the projects arising from this have already been implemented. The systematic appraisal of the situation basically confirmed that the strategic positioning of the group is correct, but also that some adjustments are necessary. For example, the Adval Tech Group must focus even more systematically on globalization and establish its own distribution and manufacturing platforms in the main geographical markets. The core of our future thrust is the focus on applications featuring high unit volumes and repetition. This will result in a shift in emphasis from technology to application and customer orientation.

Adval Tech is now concentrating on applications in the automotive, medical technology/pharmaceutical, consumer goods and optical parts sectors, and within these sectors on promising segments and selected customer target groups. The group is to play a greater role in the implementation of the divisions' strategic market thrust in future, especially with a view to exploiting the potential for synergies.

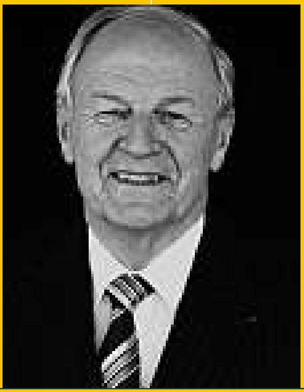
The handover between generations on the Board of Directors was completed at the annual general meeting held on June 8, 2006. Herbert Thönen and Hansruedi Bienz did not stand for re-election for a further term of office. They have both played a major role in shaping the fortunes of the group, especially in the past ten years, and embarked on a forward-looking course with the IPO in June 1998. They have earned the highest recognition and our sincere thanks for this. The Board of Directors has elected the present Vice Chairman Walter Grüebler to succeed Herbert Thönen as Chairman of the Board.

Burgdorf-based entrepreneur Willy Michel, founder and chairman of Ypsomed Holding AG, acquired a 22% stake in the share capital of Adval Tech Holding Ltd at the end of January 2007 by purchasing 80,300 shares from the three founding families of Styner, Bienz and Dreier. The latter will continue to hold a total of some 30% of the share capital. Through this investment by Willy Michel the Adval Tech Group has gained a further long-term, industrial shareholder. We are happy with this investment. Willy Michel has extensive know-how and many years of experience as a successful entrepreneur in the medical technology sector, which is very important for us.

Josef Krummenacher, a member of group management, retired at the end of 2006. His influence on the progress of "his" AWM companies and thus also of the Adval Tech Group was probably second to none. Having joined AWM in 1966 as its 16th employee, at the end of 2006 he handed over to his successor a division generating some CHF 140 million of sales with more than 550 employees. Despite the setback in the past two years, AWM is a success story. Josef Krummenacher's career in our group was marked by technological innovations as well as outstanding results and achievements. We want to take this opportunity to express our sincere thanks to Josef Krummenacher for his major contribution to the present value of our company. The appointment of Thomas Meyer as his successor emphasizes continuity. The 39-year-old MBA has been with the group since 1998, as CFO since 1999 and also as Deputy Head of Division from 2001 to 2006.

Joachim Kaufmann, Head of the Stamping and Forming Division, left us at the end of the year in order to take up a new challenge as CEO of Feintool. Joachim Kaufmann made a significant contribution to the successful reorientation of the division. We also wish to take this opportunity of thanking him for the commitment he has shown toward the company. The Board of Directors appointed 47-year-old graduate engineer René Rothen as his successor as Head of Division and a member of group management. René Rothen has occupied various executive positions at the Saia-Burgess Group in recent years, including those of Head of Operations – Automotive Drives – Switzerland and Hungary, and President of Saia-Burgess Automotive Inc. USA.

The Adval Tech Group will increase market and customer penetration.



WALTER GRÜEBLER

CHAIRMAN OF THE BOARD

JEAN-CLAUDE PHILIPONA

CHIEF EXECUTIVE OFFICER

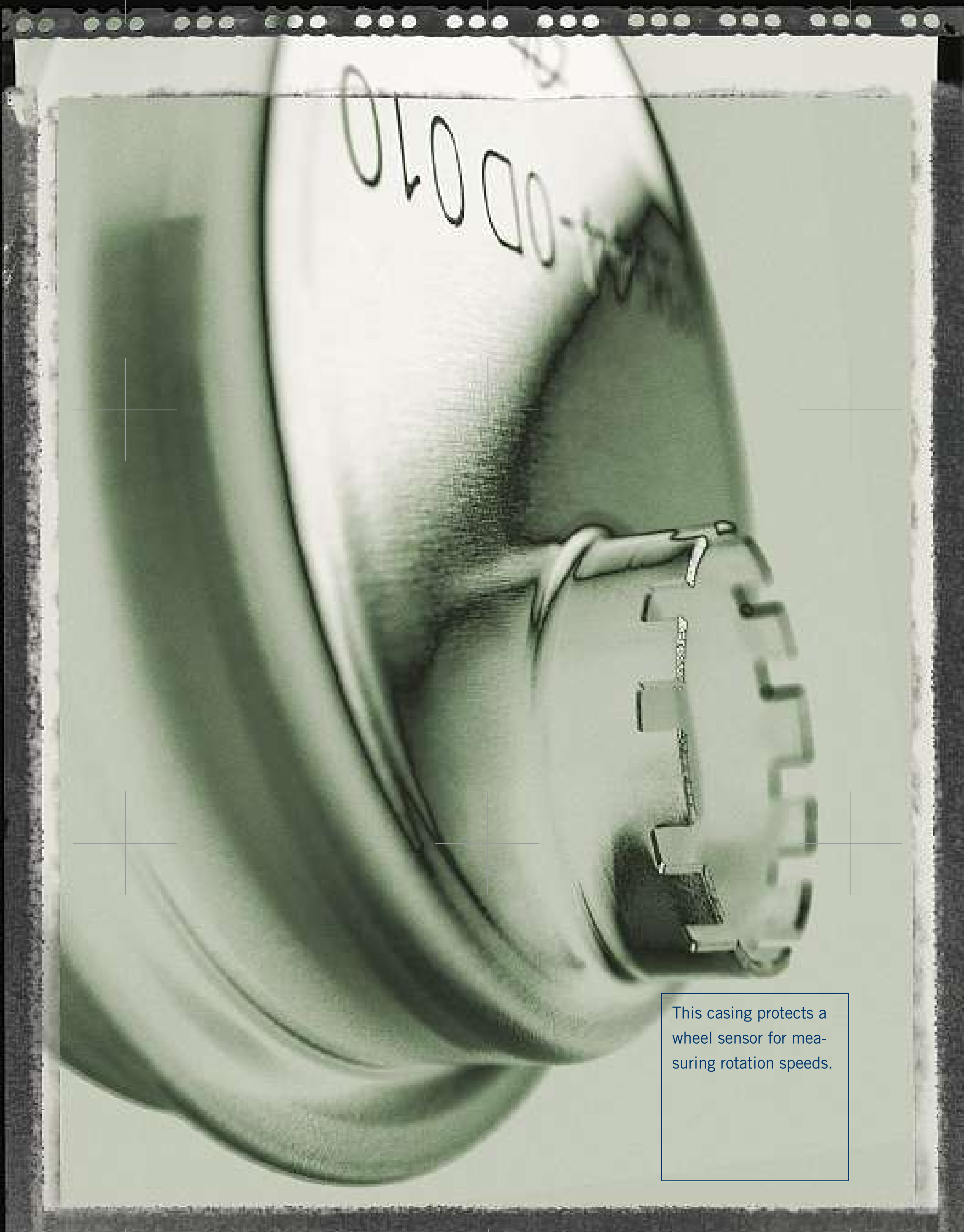
Markus Reber, 43-year-old business economist (FH) and MBA, also joined the group management team at the beginning of 2007. He has taken over as CFO from Jean-Claude Philipona, who has combined the posts of CEO and CFO to date. Markus Reber has been Group Controller at Adval Tech since 2002 and was previously employed in various supervisory positions, for example with ABB and Swisscom.

The primary task of the Adval Tech Group in 2007 is to implement the new strategy in the selected markets. In the process we are seeking to increase market and customer penetration, and we aim to make important moves in Eastern Europe, Asia and the US with globalization in view. We also aim to continue to grow as a group and improve operating results compared to 2006, especially in moldmaking operations at the Injection Molding Division.

We want to express our thanks to our employees for all their efforts, to our business partners for the good cooperative relationship and to you, our valued shareholders, for the confidence you show in us through your financial commitment.

Niederwangen, April 2007

Walter Grüebler, Chairman of the Board
Jean-Claude Philipona, Chief Executive Officer



This casing protects a wheel sensor for measuring rotation speeds.

ADDING VALUE

Adding value for customers in technically challenging fields of activity; that's what Adval Tech stands for.

The Adval Tech Group is a leading supplier of tools, special machinery, subassemblies, systems and volume components in the technology sectors of injection molding (plastics) and stamping and forming (metals). The group sees itself as a supplier and value-adding partner for companies operating on a global scale in selected industries where plastic, metal or composite components are manufactured or used in large volumes. With innovative solutions, the Adval Tech Group enables its customers to make continuous improvements to their products and processes.

Adval Tech covers the entire value chain: from the development of volume components and subassemblies, through design and production of the necessary molds and dies, to complete manufacturing systems and the resulting production of components.

The Adval Tech Group acts globally and focuses on selected markets in the automotive, medical technology, consumer goods, industrial products and optical storage media sectors. Specialization by areas of expertise and product groups enables Adval Tech to respond rapidly and systematically to customers' requirements – wherever and however the specific projects have to be implemented. Adval Tech trades on the market under the names of Styner+Bienz, AWM, Foboha and Teuscher.

In the automobile industry, for instance, one in three new vehicles worldwide is equipped with ABS housing covers from Styner+Bienz, and numerous automobile marques rely on two-component parts from AWM for insulating chassis cavities. Among other things, Foboha develops and manufactures, for example, multi-component, multi-level, revolving molds and double cube molds which enable components to be assembled in the mold and thus facilitate especially efficient, space-saving production. These are used, for example, to manufacture wet shavers, shampoo packaging or medical technology components. In the medical technology field, Teuscher supplies, for example, backstops for disposable syringes as well as throat spray caps in production runs of millions, and AWM is still world market leader for molds used to manufacture optical storage media.

The Adval Tech Group has good development prospects in the fields of activity covered by its core competences.

GROUP STRUCTURE

Adval Tech Holding Ltd

Adval Tech Management Ltd

Stamping and Forming Division	
100%	Styner+Bienz FormTech Ltd
100%	Styner+Bienz do Brasil Ltda.

Injection Molding Division	
100%	AWM Mold Tech Ltd
100%	AWM Plast Tech Ltd
100%	AWM Plastpack Ltd
100%	AWM Swiss Technology Ltd
100%	AWM Mold Tech Trading (Shanghai) Co. Ltd
100%	AWM Mold Service US Inc.
100%	Foboha GmbH
100%	Foboha US Inc.
100%	Teuscher Kunststoff-Technik AG

As of January 1, 2007

GROUP MANAGEMENT

JEAN-CLAUDE PHILIPONA

CHIEF EXECUTIVE OFFICER

RENÉ ROTHEN

HEAD OF THE STAMPING AND FORMING DIVISION

EXECUTIVE BODIES

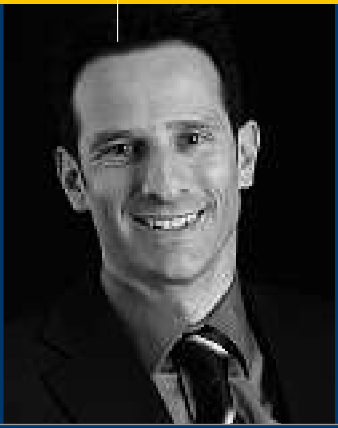
Board of Directors
Dr. Walter Grüebler, Chairman
Michael Pieper, Vice Chairman
Leonardo Attanasio
Hans Dreier
Josef Reissner
Roland Waibel

Audit Committee: Roland Waibel, Hans Dreier
Nominations and Compensation Committee: Dr. Walter Grüebler, Michael Pieper

Group Management
Jean-Claude Philipona, Chief Executive Officer
René Rothen, Head of the Stamping and Forming Division
Thomas Meyer, Head of the Injection Molding Division
Hans Dreier, Head of Marketing and Logistics
Markus Reber, Chief Financial Officer

Statutory Auditors
PricewaterhouseCoopers Ltd, Bern

Group Auditors
PricewaterhouseCoopers Ltd, Bern



THOMAS MEYER
HEAD OF THE INJECTION MOLDING DIVISION

HANS DREIER
HEAD OF MARKETING AND LOGISTICS

MARKUS REBER
CHIEF FINANCIAL OFFICER

This brass component manufactured by Adval Tech in Brazil acts as a magnetic mounting for the starter motor of an automobile engine.

THE BEST RESULT FOR 15 YEARS

In 2006 the Stamping and Forming Division achieved its best result for 15 years. Total income of CHF 137.4 million was 5.1% higher than in the previous year (CHF 130.8 million) and EBIT more than doubled to CHF 6.6 million (CHF 3.0 million in 2005). This striking improvement is attributable to significant productivity gains, especially at the Wolfwil and Uetendorf plants, as well as higher capacity utilization in the second half of the year.

The strategy adjustment at the Stamping and Forming Division already initiated five years ago is now paying off. By systematically focusing on specific core activities, Styner+Bienz has achieved substantial improvements in market and customer penetration.

Significant productivity gains

The action taken to enhance productivity and optimize costs made a major contribution to the increase in operating earnings. For example, the improvements in process stability at the Wolfwil plant resulted in a significant reduction in process costs and in costs attributable to defects. Styner+Bienz generated an increase of some 2% in total income at its Swiss plants in conjunction with a 4.5% reduction in personnel expenses. Productivity (gross value added as a proportion of personnel expenses) thus improved by 3% compared with the previous year.

Main market – the automotive industry

More than two-thirds of the Stamping and Forming Division's sales are made to the automotive industry. The main contributors are components for steering systems, seats, airbags, ABS and vehicle lamps. The demand for global manufacturing capacity in this sector continues to grow. The division is currently examining various options, especially in Eastern Europe.

Due to an impressive surge in the second half of the year, Styner+Bienz posted a significant increase in sales of CNC subassemblies, especially for applications in coffee machines. Meanwhile,

THREE QUESTIONS ADDRESSED TO RENÉ ROTHEN

HEAD OF THE STAMPING AND FORMING DIVISION

The Stamping and Forming Division achieved striking productivity gains in 2006. Do you see further potential for improvement in this respect? Identifying and exploiting potential for improvement and possible productivity gains is an ongoing process. Further steps aimed at enhancing productivity and optimizing costs are therefore continuously being defined. For example, we intend to lower fault-related costs further, shorten machine downtime to a minimum and make further reductions in development, manufacturing and commissioning lead times for new tools. We will also continue to optimize the organization in the context of our policy of focusing on individual core sectors.

Where do you foresee the main strategic fields of development for the Stamping and Forming Division? Growth markets in the next ten years will be primarily in Eastern Europe, Asia and Latin America – in particular for the automotive industry. We intend to intensify customer and market penetration in clearly defined market segments; in other words, gain new customers and implement new projects with existing customers. This is only possible if we ourselves have a presence in the geographical growth markets.

How do you intend to exploit synergies with the group's Injection Molding Division more effectively in future? The demands being made on the automotive components supply industry to develop and manufacture modules and subsystems are increasing continuously. The combination of metals and plastics with subsequent assembly opens up considerable potential for the Adval Tech Group in new spheres of application. I am thinking here, for example, of vehicle tail lamps. Our ability to combine both technologies in top quality will enable us to exploit extremely interesting synergies by operating jointly in the growth markets.

These mountings, produced using CNC technology, are incorporated in high-performance coffee machines for use in restaurants.

the division finally withdrew from the market for mobile telephone components, where production was discontinued in the third quarter of the year.

Toolmaking expertise – an essential distinguishing feature

Pressure on prices is particularly severe in the field of toolmaking for our metal components. The prices achievable here barely cover costs, but at the same time the tools themselves are an essential distinguishing feature vis-à-vis our competitors. Our technological lead in toolmaking is what makes the growth we seek in the volume components business possible. The increased use of simulation techniques enables more robust process and tool design and thus shorter lead times to be achieved.

Higher sales of production systems

Since mid-2005 Styner+Bienz has confined its complementary business with production systems to the aerosol packaging market. The positive results achieved here confirm the soundness of this strategy adjustment with a view to minimizing risks and volatility and also contributed to the improvement in margins.

Continued progress by Styner+Bienz do Brasil

While total income generated by Styner+Bienz in Switzerland rose by 2% compared with 2005, Styner+Bienz do Brasil posted an increase of more than 70%. This improvement in performance was due primarily to the start of volume component production for Bosch in autumn 2005. The EBIT figure did not quite keep pace with this rise in output. In the current year Styner+Bienz do Brasil aims not only to gain further market share, but also to achieve a significant improvement in productivity. Divisional management has secured the services of Swami Faria da Silva, an experienced Brazilian with detailed knowledge of the industry, as the new general manager of Styner+Bienz do Brasil. He succeeds Jerzy Dylewski, who retired at the beginning of 2007.

Innovations

One of the most important innovations by the Stamping and Forming Division in the year under review was the revolutionary gas generator system with two combustion chambers for airbags, which was developed in cooperation with a customer. The new system will probably go into production in 2007.

Capital spending

The division invested a total of CHF 3.2 million in the year under review. Replacements of manufacturing infrastructure accounted for most of this figure.

Management

Joachim Kaufmann, who has made a major contribution to the encouraging development of the Stamping and Forming Division in recent years as Head of Division and a member of group management, left the Adval Tech Group at the end of 2006 to take up a new challenge as CEO of Feintool. Since January 2007 the Stamping and Forming Division has been headed by René Rothen, a 47-year-old graduate engineer with considerable international and industrial management experience. He has joined Adval Tech from the Saia-Burgess Group, where in recent years he has been Head

The action taken to enhance productivity and optimize costs made a major contribution to the increase in operating earnings.

of Operations – Automotive Drives – Switzerland and Hungary as well as President of Saia-Burgess Automotive Inc. USA.

Personnel

The productivity gains at the Swiss plants entailed an overall workforce reduction amounting to 37 full-time units. In Brazil, Styner+Bienz added 37 employees due to the growth achieved there. Compared with the previous year, the overall number of employees therefore remained stable.

Outlook

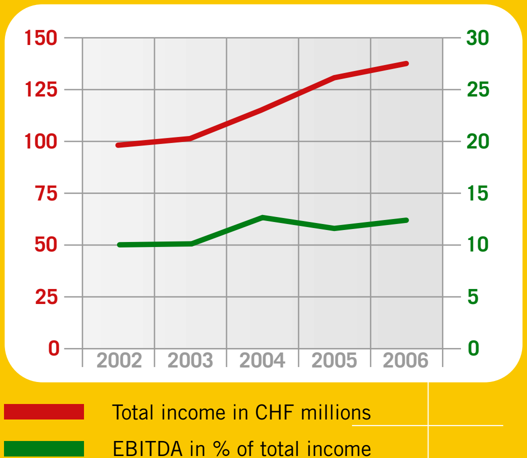
The division is looking forward to the future with confidence. In the current financial year the primary tasks facing the Stamping and Forming Division are the ongoing pursuit of customer and market penetration and finalizing the evaluation of suitable manufacturing sites and cooperative ventures in Eastern Europe and the Far East that was commenced in the year under review.

SHIFTING GATE FOR AUTOMATIC TRANSMISSIONS – AN EXAMPLE OF HOW ADVAL TECH

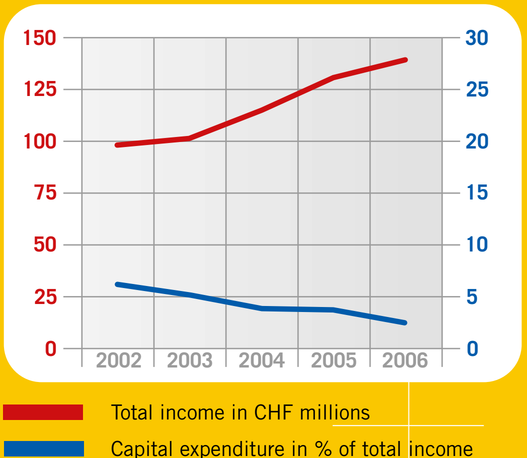
In this shifting gate for automatic transmissions in passenger vehicles, the guide bush has been replaced by a collared groove and the guide rail has been extrusion-coated with plastic – with Adval Tech's Stamping and Forming Division already being involved at the development stage. This adds value for customers.

Adval Tech not only manufactures the components using its own progressive composite dies, but also performs zinc coating to protect the surface as well as extrusion-coating with plastic.

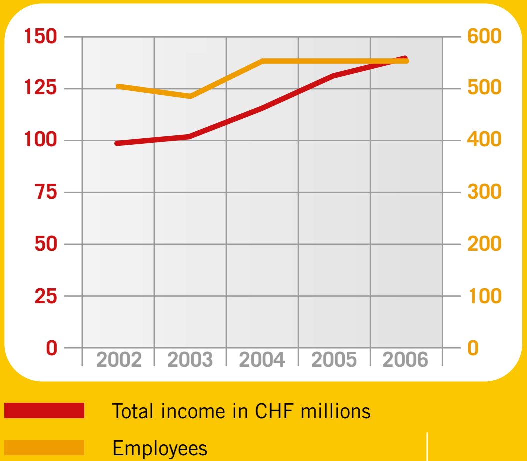
TOTAL INCOME AND EBITDA



TOTAL INCOME AND CAPITAL EXPENDITURE



TOTAL INCOME AND EMPLOYEES



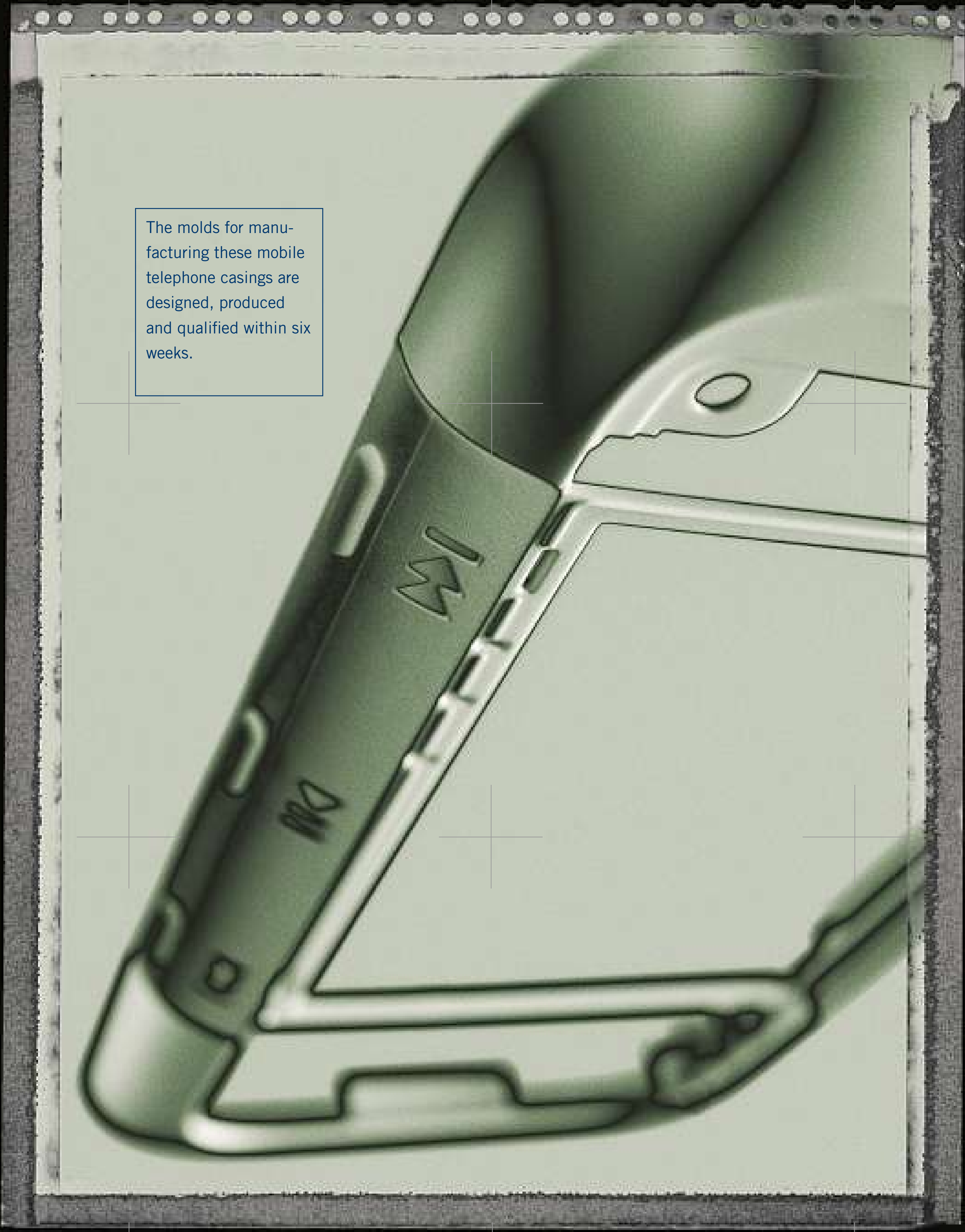
PERFORMANCE DATA AND EMPLOYEES

in CHF millions

	2002 1)	2003 1)	2004 2)	2005 3)	2006 3)
Total income	97.3	100.3	115.1	130.8	137.4
EBITDA	10.1	10.4	14.6	14.8	16.6
EBIT	2.0	3.3	2.7	3.0	6.6
Capital expenditure	6.1	5.2	4.5	4.9	3.2
Employees	506	485	553	553	553

1) Swiss GAAP FER
2) IFRS restated
3) IFRS

ADDS VALUE FOR ITS CUSTOMERS



The molds for manufacturing these mobile telephone casings are designed, produced and qualified within six weeks.

UNSATISFACTORY EARNINGS SITUATION

The Injection Molding Division posted total income of CHF 138.5 million (CHF 121.2 million in 2005), which was equivalent to an increase of 14.3%. EBIT declined from CHF 1.9 million to CHF 0.5 million. The main reason for this unsatisfactory outcome were the disappointing results at moldmaking companies AWM and Foboha. However, resolute action taken in the context of the strategic adjustment in the second half of the year has already resulted in significant improvements.

Moldmaking operations at AWM suffered from the renewed slump in the optical disc (OD) market, particularly in the first six months. Sales of molds for the various formats and for OD packaging were some 40% lower compared with the previous year.

Lower total market volume for OD molds

The consolidation in the market for OD production systems had a negative impact on AWM in the short term. The simultaneous reduction in volumes further intensified this effect. However, the slight recovery in sales and orders on hand toward the end of the year under review confirmed our belief that we are well positioned with our redefined focus in the changed market environment. Nevertheless, we believe that total market volume will be significantly smaller in future than in the years 2000 to 2004.

Reduced volume effects

The significant rise in some cases in sales of molds for screw caps, aerosol components as well as medical and automotive applications was insufficient to offset the reverse in the OD business. Since volume effects in these sectors are much smaller in some cases, margins were also under pressure. However, various steps taken to increase sales and productivity resulted in improvements toward the end of the year. Productivity will be further enhanced by the optimization of layout at the Muri plant, which involves bringing mutually dependent departments closer together.

THREE QUESTIONS ADDRESSED TO THOMAS MEYER

HEAD OF THE INJECTION MOLDING DIVISION

The market for optical disc molds has slumped dramatically in the past two years. Won't this market disappear completely in the medium to long term? We believe that the market will settle at current levels in the medium term and that we will gain market share. We also aim increasingly to utilize the extensive know-how we have accumulated as world market leader in the OD sector in other spheres of application.

Where do you foresee the main strategic fields of development for the Injection Molding Division? We have defined four industries in which we aim to focus on selected segments: medical technology, the optical disc industry, the automotive industry and the consumer goods industry. Our target markets should feature growth and high volumes. In these markets we aim to operate as a reliable value-adding partner generating competitive advantages for our customers through innovation.

How do you aim to exploit the synergies with the Stamping and Forming Division more effectively in future? The existing excellent customer relationships currently maintained by each of the two divisions ought to be exploited more effectively. Our customers should benefit increasingly from the fact that we are able to supply the entire product range at the highest level: from metal through composite to multi-component plastic parts. We can thus meet the requirements of our customers operating on a global scale and take full advantage of one of our group's strong points.

This two-component fuel tank filler neck is produced using a complex mold featuring seven hydraulic core pullers.

Significantly improved performance at Foboha

Foboha posted significantly higher total income in the year under review. With its patented double cube system, Foboha is the technological leader in the field of high-performance molds for the rapidly growing markets for multi-component applications. Foboha completed the custom-built expansion to its Mühlegrün premises at Haslach in only eleven months and now has some 11,000 m^2 of production space at its disposal at a single location, an increase of about 40%. Foboha now has ideal facilities for technological development, manufacturing and applications engineering.

Special charges and non-recurring expenses arising from the move to the new premises had an adverse impact on EBIT in the year under review. At the same time the order mix was unfavorable and included an above-average proportion of development and first-time orders.

Good capacity utilization in volume components production

The volume components business developed encouragingly in the past year. Income from these operations increased by 42%. About half of this is attributable to the integration of Teuscher Kunststoff-Technik AG. All three companies operating in this sector made a positive contribution to operating earnings in the reporting period.

Utilization of manufacturing capacity for volume components was good to very good both in Merenschwand – where plastic components for the automotive industry are among the products – and also in Grenchen, where precision components are produced for medical technology applications.

Innovations

The division again implemented promising developments for widely differing applications in all markets using state-of-the-art application methods in the year under review. Examples of this are the extrusion-coated sheet metal bundles for electric motors with several integrated functional options for the automotive industry, or the spray heads with a user-friendly slide as a safety valve in the field of packaging and closures.

Capital spending

The division invested a total of CHF 9.7 million in the year under review. This included in particular new installations purchased for the expansion of manufacturing facilities at the Haslach site. The remainder consisted of replacement and rationalization investments in the other organizational units.

Management

The long-planned handover from Josef Krummenacher to Thomas Meyer took place at the end of 2006. Josef Krummenacher headed the AWM companies for many years and the Injection Molding Division since its formation. His track record is impressive. He was the driving force behind the development of the company from a small business into an international market leader in different applications of injection molding technology.

His successor Thomas Meyer has worked in the Injection Molding Division since 1998, since 1999 as CFO and since 2001 as Deputy Head of the Division. Continuity is therefore assured.

Resolute action taken in the context of the strategic adjustment in the second half of the year resulted in significant improvements.

Personnel

The number of employees totaled 558 full-time units at December 31, 2006 (570 full-time units in 2005). AWM in Muri reduced the workforce by 18 full-time units in the context of action to boost productivity.

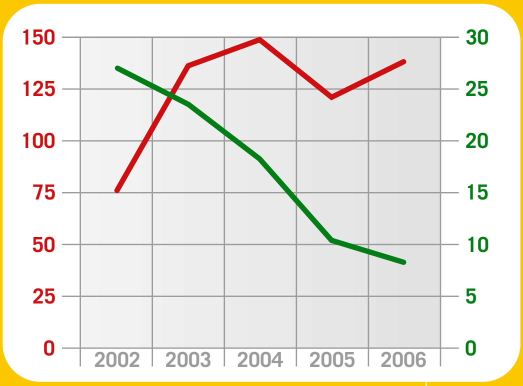
Outlook

Despite unsatisfactory results in the year under review, the Injection Molding Division is looking forward to the future with confidence. Orders on hand at the end of 2006 were considerably higher than in the previous year and very good market opportunities exist in various target segments. The division already aims to improve its profitability substantially in 2007 with an extensive efficiency program.

INSULATION WITH INTEGRATED FUNCTIONAL OPTIONS — AN EXAMPLE OF HOW ADVAL

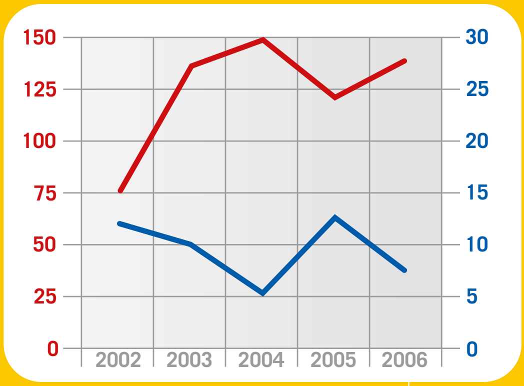
The manufacture of electric motors, such as those used in automotive engineering for fuel pumps, previously necessitated the assembly of several components. These functional options can be integrated and corresponding cost savings achieved by direct extrusion-coating of the sheet metal bundles in the electric motor. Adval Tech's Injection Molding Division adds value for its customers with special moldmaking technology and superior processing know-how.

TOTAL INCOME AND EBITDA



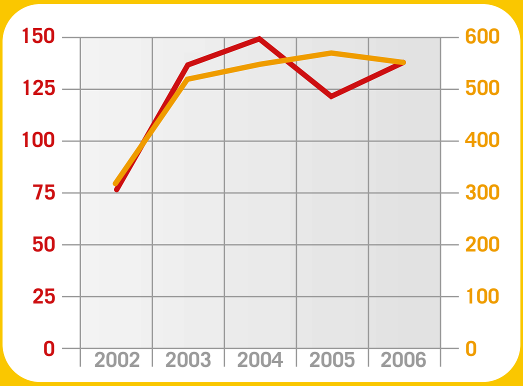
Total income in CHF millions
EBITDA in % of total income

TOTAL INCOME AND CAPITAL EXPENDITURE



Total income in CHF millions
Capital expenditure in % of total income

TOTAL INCOME AND EMPLOYEES



Total income in CHF millions
Employees

PERFORMANCE DATA AND EMPLOYEES

in CHF millions

	2002 1)	2003 1)	2004 2)	2005 3)	2006 3)
Total income	76.1	141.6	149.0	121.2	138.5
EBITDA	20.6	33.4	27.1	12.5	11.7
EBIT	13.4	22.9	16.8	1.9	0.5
Capital expenditure	9.2	14.2	7.7	15.3	9.7
Employees	317	520	548	570	558

1) Swiss GAAP FER
2) IFRS restated
3) IFRS

TECH ADDS VALUE FOR ITS CUSTOMERS

This insertion device is used for the automatic application of soft cannulae in infusion kits for diabetes patients.

CORPORATE GOVERNANCE

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

Corporate structure and shareholders

Adval Tech Holding Ltd is organized as a holding company under Swiss law and directly or indirectly owns all Adval Tech companies worldwide. For operational purposes, the Adval Tech Group is organized in two divisions. Business is conducted through the relevant group companies (cf. Group structure, page 10). The following companies are included in the scope of consolidation (all unlisted except Adval Tech Holding Ltd):

The founding family shareholders (Rudolf Styner, Hansruedi Bienz, Ordinary Partnership Dreier) sold a total of 22% of the shares to Willy Michel at the end of January 2007.

The holdings of the major shareholders as of February 1, 2007, were as follows:

- Willy Michel 22.0%
- Artemis Beteiligungen II AG, Hergiswil ... 20.3%
- Rudolf Styner 14.1%
- Hansruedi Bienz 10.5%
- Ordinary Partnership Dreier 5.2%
- Lombard Odier Darier Hentsch Fund Managers SA 7.0%
- Sarasin Investment Fonds AG 5.5%

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

Company	Registered office	Share capital		Equity holding
Adval Tech Holding Ltd	Niederwangen, Switzerland	TCHF	7,300	
Adval Tech Management Ltd	Niederwangen, Switzerland	TCHF	100	100%
Styner+Bienz FormTech Ltd	Niederwangen, Switzerland	TCHF	3,050	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
AWM Mold Tech Ltd	Muri (AG), Switzerland	TCHF	600	100%
AWM Plast Tech Ltd	Merenschwand, Switzerland	TCHF	600	100%
AWM Plastpack Ltd	Muri (AG), Switzerland	TCHF	600	100%
Teuscher Kunststoff-Technik AG	Grenchen, Switzerland	TCHF	2,000	100%
Giesserei & Metallwarenfabrik Josef Rieger AG	Grenchen, Switzerland	TCHF	400	100%
AWM Swiss Technology Ltd	Hong Kong, China	TCHF	10	100%
AWM Mold Tech Trading (Shanghai) Co. Ltd	Shanghai, China	TUSD	200	100%
AWM Mold Service US Inc.	Beverly, MA, USA	TUSD	1	100%
Foboha Holding GmbH	Haslach, Germany	TEUR	25	100%
Foboha GmbH	Haslach, Germany	TEUR	512	100%
Foboha US Inc.	Beverly, MA, USA	TUSD	1	100%

Major shareholders as of the end of 2006 are listed in the notes to the financial statements of Adval Tech Holding Ltd, on page 76. No disclosures in conformity with Article 20 BEHG were made in the year under review.

The overall structure of shareholdings at December 31, 2006, was as follows:

Number of shares	Shareholders
1 to 100	345
101 to 1,000	47
1,001 to 10,000	8
More than 10,000	6
Total	**406**

Capital structure

- As of December 31, 2006, the capital stock of Adval Tech Holding amounted to CHF 7.3 million, divided into 365,000 registered shares with a par value of CHF 20 each. All the shares carry the same voting and dividend rights. The share capital is fully paid. With respect to restrictions on registration, reference is made to the section on stockholders' rights of co-determination.

- As of December 31, 2006, there was no authorized or conditional capital, nor were any participation or dividend-right certificates, convertible bonds or options in issue.

- Adval Tech B registered shares were listed on the Swiss Stock Exchange as of June 4, 1998, under securities code number 896 792. All shares of Adval Tech Holding Ltd have been listed on the Swiss Stock Exchange since July 5, 2004, under the above securities code number. Their Telekurs ticker symbol ADVN SW. Market capitalization on December 31, 2006, amounted to CHF 196.7 million.

- The shareholders' register is maintained by SAG SIS Aktienregister AG, Baslerstrasse 100, 4600 Olten, on behalf of Adval Tech Holding Ltd.

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

	12.31.2006	12.31.2005	12.31.2004
Share capital	7,300,000	7,300,000	7,300,000
General reserves	9,500,000	9,500,000	9,500,000
Reserve for treasury stock	81,863	81,863	81,863
Free reserves	15,013,784	15,013,784	15,013,784
Share capital and reserves	*31,895,647*	*31,895,647*	*31,895,647*
Balance brought forward	39,534,218	33,185,173	26,920,949
Net profit for the year	2,970,666	11,459,045	11,374,224
Retained earnings	*42,504,884*	*44,644,218*	*38,295,173*
Total shareholders' equity	**74,400,531**	**76,539,865**	**70,190,820**

Board of Directors

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

- **Walter Grüebler** (Chairman), born 1942, Swiss; PhD (Econ.) St. Gall; member of the Executive Board of Alusuisse (1990-1999), CEO of Sika AG (2000-2004), Chairman of Sika AG (since 2004); director since 1997, non-executive, term of office expires at the AGM for the 2008 fiscal year.

- **Michael Pieper** (Vice Chairman), born 1946, Swiss; MA (Econ.) St. Gall; owner and CEO of the Franke Group (since 1989); director since 2004, non-executive, term of office expires at the AGM for the 2006 fiscal year.

- **Leonardo Attanasio**, born 1942, German; MBA; executive positions at the ContiTech Group (1970-1995) and Johnson Controls (1996-2004), member of the supervisory board of JC INSITU Beteiligungsgesellschaft mbH (since 2004); director since 2005, non-executive, term of office expires at the AGM for the 2007 fiscal year.

- **Hans Dreier**, born 1953, Swiss; MBA FH; executive director since 1988, Head of Marketing and Logistics at the Adval Tech Group, term of office expires at the AGM for the 2008 fiscal year.

- **Josef Reissner**, born 1939, Austrian; Prof. Dr. em.; Head of the Institute for Virtual Production at the Swiss Federal Institute of Technology, Zurich (1976-2004); director since 1997, non-executive, term of office expires at the AGM for the 2008 fiscal year.

- **Roland Waibel**, born 1958, Swiss; PhD.; various executive positions at the Lonza Group, Basel, including CFO and Senior Vice President, Corporate Development, Lonza Group, Basel (1989-2006), CFO of the Omya Group, Oftringen (since 2006); director since 2005, non-executive, term of office expires at the AGM for the 2007 fiscal year.

Herbert Thönen and Hansruedi Bienz did not stand for re-election at the annual general meeting for the 2005 fiscal year.

Walter Grüebler is Chairman of the Board of Sika AG, Baar, and a director of the following companies: Quadrant AG, Lenzburg, Schweizerische National Versicherungs Gesellschaft, Basel, and Petroplus Holdings AG, Zug. He is also a member of the executive board of the Association of the Swiss Chemical Industry (Verband Schweizerische Chemische Industrie). Michael Pieper is a director of the following companies: Artemis Holding AG, Berenberg Bank (Schweiz) AG, Hero AG, Feintool International Holding AG and Forbo Holding AG. He is also a member of the supervisory board of ThyssenKrupp Stainless AG.

Otherwise the members of the Board of Directors are not members of any other executive and supervisory bodies of significant Swiss or foreign corporations, institutions and foundations under private or public law and also hold no important political offices. In terms of the Articles of Incorporation of Adval Tech Holding Ltd, the Board of Directors has at least three members, who are elected for a three-year term of office. Re-election is permitted. The directors proposed for election at the annual general meeting for the 2005 fiscal year were elected in corpore. There are no interlocking directorships with other listed companies. The Adval Tech Group's business relationships with directors and officers or parties related to them are detailed in Note 34 on page 71.

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; defining the group organization; appointing and dismissing the CEO and other members of group management; ensuring operational manage-

This interior door handle made from two different plastics and featuring a metal insert is produced using a multi-level revolving mold with internal gas pressure.

ment of the group; drawing up the annual report; approving the budget and medium-term planning; preparing the annual general meeting. The Board of Directors executes the motions adopted by the annual general meeting and supervises the practical realization of the mission statement and the implementation of the strategy as well as the course of business. It also oversees finance and accounting matters and approves the material transactions for which it is solely responsible according to the allocation of authority in effect. These include in particular corporate acquisitions or disposals, contracts regarding strategic cooperation and joint ventures.

The Board of Directors can delegate the preparation, execution and supervision of its duties to committees or individual directors. It has formed an Audit Committee and a Nominations and Compensation Committee for this purpose. The composition of the board committees is listed on page 11 of the annual report.

The Board of Directors meets as often as business requires, but at least four times a year, with the Chairman presiding. Six meetings were held in 2006. Board meetings usually last half a working day.

The Audit Committee commenced its activities in the second half of 2006. It discusses the results of audits with the outside auditors, reviews the internal system of controls, risk management and compliance with laws and directives. On the application of the CFO it approves the budget for auditing fees and assesses the compatibility of auditing activities with other advisory mandates. The Audit Committee submits a proposal to the Board of Directors for the attention of the annual general meeting regarding the election of auditors. The CFO and if necessary the CEO usually attend the meetings in a consultative capacity. The Audit Committee meets as often as business requires, but at least twice a year. Two meetings were held in 2006. The meetings usually last two to four hours.

The Nominations and Compensation Committee prepares personnel planning at board and group management level. This includes specifying the criteria for candidate searches and preparation of their selection as well as succession planning and development. It assesses the performance of group management for the attention of the Board of Directors and stipulates the remuneration of group management. It also submits proposals for the compensation of the Board of Directors. The Nominations and Compensation Committee meets as often as business requires, but at least once a year. The CEO usually attends its meetings in a consultative capacity. One meeting was held in 2006. The meetings usually last one to two hours.

The Board of Directors informs itself periodically, usually monthly, by means of a written report, regarding the course of business in the group, the divisions and the major group companies, the degree to which objectives have been achieved and the actions foreseen for this purpose. It arranges to be informed as necessary about the progress of strategic projects. In addition to these written reports, the CEO, and if necessary other members of group management, attend the board meetings, at which open issues and further inquiries can be discussed or answered. Proposals and reports are submitted to the Board of Directors in writing in good time prior to the meeting. Cooperation with the auditors is described on page 33.

The Board of Directors has delegated the management of the operating business with regard to achieving the strategic objectives and fulfilling the medium-term plans and budgets to group management, chaired by the CEO. Internal organization and the allocation of authority are set out in the Adval Tech Group's regulations governing the organization and conduct of business.

Executive management

The executive management team of the Adval Tech Group (group management) as of January 1, 2007:

- **Jean-Claude Philipona,** born 1953, Swiss; with Adval Tech since 1997; Chief Executive Officer; MBA.
  Career: executive management consultant, focusing on strategy, organization and controlling (1982-1989); CFO and member of executive management at an internationally oriented industrial corporation (1989-1997); joined the Adval Tech Group as CFO in anticipation of the IPO, CEO since January 1, 2001. Member of the executive committee of Swissmem, member of the committee of Swissholdings, Bern, director of Crealogix Holding AG.

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

- **Thomas Meyer,** born 1967, Swiss; with Adval Tech since 1998, Head of the Injection Molding Division, MBA FH.
  Career: auditor with a large auditing firm (1993-1995); CFO of a group company of a building materials manufacturer operating on a global scale (1995-1998); joined AWM Mold Tech, since 1999 as Head of Finance, Controlling and Services of the Injection Molding Division, since 2001 also Deputy Head of Division, since 2006 General Manager of AWM Mold Tech Ltd, since January 1, 2007, Head of Division.

- **Markus Reber,** born 1963, Swiss; with Adval Tech since 2002, Chief Financial Officer, Exec. MBA.
  Career: various executive positions in controlling, IT and finance in an international industrial group (1989-1991), Head of Finance and Controlling in the services unit of a major telecommunications company (1991-2000), Head of Finance and Central Services at a private educational organization (2000-2002). Joined Adval Tech in 2002 as Group Controller, CFO since January 1, 2007.

- **René Rothen,** born 1959, Swiss, with Adval Tech since 2007, Head of the Stamping and Forming Division, Grad. Eng. HTL.
  Career: head of product development, machine tool manufacturing (1983-1993), various executive positions with a Swiss automotive components supplier (1993-2006), including Head of Operations, Switzerland and Hungary, and finally also as CEO of a subsidiary in the US. Joined Adval Tech as Head of Division on January 1, 2007.

The members of group management are not members of any other executive and supervisory bodies of significant Swiss or foreign corporations, institutions and foundations under private or public law and also hold no important political offices. There are no management contracts between Adval Tech Holding Ltd or any of its subsidiaries and third parties.

Remuneration, equity holdings and loans

The Appointments and Compensation Committee proposes the remuneration of the Board of Directors and defines the compensation of group management. Remuneration is defined so as to conform with market rates for the position in question and to reflect the qualification, professional experience and performance of the individual concerned. The remuneration of the Board of Directors consists of a fixed fee, an attendance fee and a lump sum to cover expenses. The remuneration of the members of group management consists of a fixed component and a variable component. The fixed component consists of a basic salary and fringe benefits (company car). The variable component depends on business performance and the achievement of individual targets. No shares or options were allocated in 2006.

The remuneration of the four serving executive directors and officers in 2006 totaled CHF 1,834,000. The five serving non-executive directors received remuneration totaling CHF 298,000 in 2006. The two non-executive directors who retired at the annual general meeting for the 2005 fiscal year received remuneration totaling CHF 71,400 for their services until the annual general meeting. No additional severance or compensation payments were made to former directors and officers in 2006. The highest total remuneration of a member of the Board of Directors in 2006 amounted to CHF 314,612 (including remuneration for executive services). These figures were calculated in accordance with the accrual principle as stipulated by the SWX. With the exception of that for company cars, the compensation payments were calculated at market values. Calculation of the value of providing company cars was based on the values applicable in accordance with arrangements in effect with the tax authorities.

As of December 31, 2006, executive directors and officers (incl. closely associated persons) held a total of 31,241 shares of Adval Tech Holding Ltd, non-executive directors (incl. closely associated persons) a total of 75,473 shares. A total of CHF 39,764 was paid to Prof. Dr. Reissner in 2006 as an additional fee. This covered services rendered to the Adval Tech Group in the context of research and development projects. At no time in 2006 were loans outstanding to directors and officers of the Adval Tech Group.

Shareholders' rights of co-determination

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Article 7 of the Articles of Incorporation of Adval Tech Holding Ltd dated June 24, 2004, purchasers of shares in excess of 5% of the registered capital stock recorded in the Commercial Register will not be entered with voting rights. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. Groups of individuals who are associated with each other and act in concert to circumvent the registration restrictions are regarded as a single purchaser. The Board of Directors can permit exceptions. In 2006 the Board of Directors granted an exception in favor of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. Beneficial ownership remained unaffected by this transaction. On January 30, 2007, the Board of Directors permitted an exception in favor of Willy Michel, which was granted in connection with a cooperation agreement. Furthermore, these voting restrictions do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all share votes when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Rudolf Styner, Hansruedi Bienz, Ordinary Partnership Dreier). Fiduciary entries in the shareholders' register are only possible without voting rights. The Articles of Incorporation of Adval Tech Holding Ltd regarding quorum requirements conform to legal provisions.

Invitations to the annual general meeting are issued by publication in the Swiss Official Commercial Gazette no less than 20 days prior to the annual general meeting. Shareholders entered in the shareholders' register can also be invited in writing. Shareholders representing shares with a par value of CHF 1 million can request the inclusion on the agenda of items for discussion. There are no regulations differing from the Swiss Code of Obligations regarding the convening of a general meeting.

This shifting gate for automatic transmissions in passenger vehicles is stamped, zinc-plated and extrusion-coated with plastic by Adval Tech.

Shareholders who are entered with voting rights in the shareholders' register at least 14 days prior to the annual general meeting are entitled to vote at the meeting. Shareholders who have sold shares prior to the annual general meeting are not entitled to vote in respect of the shares sold.

Change of control and defensive measures

The Articles of Incorporation of Adval Tech Holding Ltd include no provisions for "opting out" or "opting up" upon reaching the legal value threshold.

Auditors

PricewaterhouseCoopers AG in Bern, i.e. their legal predecessors Revisuisse PriceWaterhouse, were elected as statutory auditors for Adval Tech Holding Ltd and as group auditors in 1991. Peter Wittwer (since 2004) and Martin Köhli (since 2000) act as lead auditors. Auditors for Adval Tech Holding Ltd and the consolidated financial statements are elected for a term of office of one year. Audit fees paid to PricewaterhouseCoopers AG in 2006 totaled CHF 209,000. PricewaterhouseCoopers AG were also paid CHF 284,000 in 2006 for legal and tax consulting services as well as support on projects.

The auditors usually report their audit findings in writing to the Board of Directors and the Audit Committee. The written report is submitted in the form of an audit report, insofar as legally stipulated in an explanatory report and by Management Letters. The auditors also attended one meeting of the Board of Directors and one meeting of the Audit Committee in 2006 in order to explain the results of their audit.

Information policy

Adval Tech attaches great importance to pursuing an open information policy and maintaining contacts with investors, financial analysts, business journalists and other interested parties. CEO Jean-Claude Philipona and CFO Markus Reber are available to these target groups as the persons to contact directly. The main cornerstones of Adval Tech's information offering are its regularly updated website at www.advaltech.com and the company's annual and interim reports.

Contact:

Jean-Claude Philipona
Chief Executive Officer

Markus Reber
Chief Financial Officer

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

Agenda:

General meeting of shareholders 2007:
Wednesday, May 9, 2007

Announcement of the results for the first half of 2007:
Beginning of September 2007

FINANCIAL REPORTS OF THE ADVAL TECH GROUP FOR 2006

CONSOLIDATED BALANCE SHEET

CHF 1,000	Notes	12/31/2006	12/31/2005
Liquid assets		22,904	10,937
Trade accounts receivable	3	39,682	34,162
Other receivables	4, 33	6,304	8,189
Inventories and work in progress	5	62,647	54,305
Prepaid expenses and accrued income	6	3,546	6,092
Total current assets		**135,083**	**113,685**
Tangible fixed assets	7	150,907	157,225
Financial assets	9	1,075	2,142
Intangible assets	10	3,810	2,927
Deferred tax assets	17	747	462
Total fixed assets		**156,539**	**162,756**
Total assets	28	**291,622**	**276,441**
Trade accounts payable	11	24,727	18,005
Short-term interest-bearing liabilities	12, 15	11,755	2,671
Other short-term liabilities	13, 33	13,622	7,429
Accrued expenses		13,333	11,317
Short-term provisions	16	2,519	2,019
Deferred current income taxes		20	557
Total short-term liabilities		**65,976**	**41,998**
Long-term interest-bearing liabilities	14, 15	87,621	94,964
Long-term non-interest-bearing liabilities		0	312
Long-term provisions	16, 22	1,470	2,584
Deferred tax liability	17	14,293	14,074
Total long-term liabilities		**103,384**	**111,934**
Total liabilities	28	**169,360**	**153,932**
Share capital	18	7,300	7,300
Capital reserves		57,324	57,324
Treasury stock		-82	-82
Translation differences		-363	-1,247
Retained earnings		58,083	59,214
Total shareholders' equity		**122,262**	**122,509**
Total liabilities and shareholders' equity		**291,622**	**276,441**

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	2006	2005
Net turnover	19, 28	**270,422**	**245,725**
Change in inventories of semi-finished and finished goods		-3,778	-1,998
Own work capitalized		1,415	932
Other operating income		7,706	7,212
Total income	28	**275,765**	**251,871**
Cost of materials and services	20	-108,463	-88,369
Personnel expenses	21	-97,907	-96,466
Other operating expenses	23	-40,279	-39,311
Operating expenses		**-246,649**	**-224,146**
Operating earnings before depreciation (EBITDA)	28	**29,116**	**27,725**
Depreciation on tangible fixed assets	7	-21,379	-22,285
Depreciation on intangible assets	10	-476	-311
Depreciation		**-21,855**	**-22,596**
Operating earnings (EBIT)	28	**7,261**	**5,129**
Financial income	24	2,912	3,551
Financial expenses	24	-5,646	-4,441
Net financial income		**-2,734**	**-890**
Net profit before income taxes		**4,527**	**4,239**
Income taxes	25	-548	-402
Net profit after taxes		**3,979**	**3,837**
Earnings per share (CHF)	26		
undiluted		10.91	10.52
diluted		10.91	10.52

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	2006	2005
Net profit after taxes		**3,979**	**3,837**
Depreciation on tangible fixed assets	7	21,379	22,285
Value adjustment on financial assets / Depreciation on intangible assets	10	476	311
Increase (+) / decrease (-) in long-term provisions		-653	804
Increase (+) / decrease (-) in provision for deferred taxes		-290	-444
Gain (-) / loss (+) on sales of tangible fixed assets		-85	-58
Negative goodwill from acquisition		-410	0
Cash provided by operating activities before change in net current assets		**24,396**	**26,735**
Increase (+) / decrease (-) in receivables		-3,355	4,820
Increase (+) / decrease (-) in inventories		-8,144	3,576
Increase (+) / decrease (-) in prepaid expenses and accrued income		2,560	-5,081
Increase (+) / decrease (-) in short-term liabilities		13,910	2,705
Cash provided by operating activities		**29,367**	**32,755**
Capital expenditure	7, 28	-13,976	-20,582
Income from sales of tangible fixed assets		758	1,065
Increase (+) / decrease (-) in financial assets	9	1,090	-1,152
Investments in intangible assets	10	-1,351	0
Change in the scope of consolidation		-239	-5,443
Cash used for investing activities		**-13,718**	**-26,112**
Free cash flow		**15,649**	**6,643**
Dividends paid	29	-5,110	-5,110
Repayment of loan from refinancing		0	-77,981
Loan raised from refinancing		0	90,000
Increase / decrease in short-term / long-term debt		1,419	-12,401
Cash provided by financing activities		**-3,691**	**-5,492**
Translation differences		9	897
Changes in liquid assets		**11,967**	**2,048**
Liquid assets on December 31		22,904	10,937
Liquid assets on January 1		10,937	8,889
Change in liquid assets		11,967	2,048

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

The cash outflows in the year under review for taxes and interest on borrowings as well as cash inflows from interest income are set out in explanatory note 27.

SHAREHOLDERS' EQUITY

CHF 1,000	Share capital	Capital reserves	Treasury stock	Translation differences	Retained earnings	Total share-holders' equity
At January 1, 2005	**7,300**	**57,324**	**-82**	**-3,767**	**59,812**	**120,587**
Dividends	0	0	0	0	-5,110	-5,110
Purchase / sale of treasury stock						0
Miscellaneous	0	0	0	0	675	675
Change translation difference	0	0	0	2,520	0	2,520
Net profit for the year	0	0	0	0	3,837	3,837
At December 31, 2005	**7,300**	**57,324**	**-82**	**-1,247**	**59,214**	**122,509**
Dividends	0	0	0	0	-5,110	-5,110
Purchase / sale of treasury stock						0
Miscellaneous						0
Change translation difference	0	0	0	884	0	884
Net profit for the year	0	0	0	0	3,979	3,979
At December 31, 2006	**7,300**	**57,324**	**-82**	**-363**	**58,083**	**122,262**

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

The increase in retained earnings stated under miscellaneous for 2005 arose from purchase price adjustments in the context of acquisition.

The non-distributable reserves in group shareholders' equity totaled CHF 12.4 million in the year under review (CHF 12.2 million in 2005).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION AND VALUATION

1.1 Accounting principles

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

They have been prepared in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated financial statements provide a true and fair view of the company's financial position, results of operations and cash flows.

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. This excludes financial assets available for disposal, financial assets and liabilities held for trading purposes as well as derivative financial instruments stated in the balance sheet at market value. Assets and liabilities are valued individually.

Preparing the consolidated financial statements in conformity with the applicable reporting standards calls for estimates and assumptions to be made which influence the figures stated for assets and liabilities as well as contingent claims and liabilities on balance sheet date and income and expenses in the period under review. Actual results can differ from these estimates. Items including substantial estimates are inventories (analysis of coverage), tangible fixed assets (useful lives), intangible assets (useful lives, impairment calculations), provisions and deferred taxes (rate for tax loss carry-forwards).

The following new and revised standards and interpretations have not been applied in advance when preparing the annual financial statements for 2006: IFRS 6, IFRS 8.

The implementation of IFRS 7 is expected to have no impact on the group's financial position and cash flows. We believe that the current segmentation complies with IFRS 8. Any impact will be clarified in 2007. The new IF-RIC publications (5, 6, 7, 9, 12) are of no relevance for the group's current business.

1.2 Consolidation principles

Capital consolidation is performed according to the purchase method.

Subsidiaries and investment holdings are included in the scope of consolidation from the date of acquisition or incorporation. Assets and liabilities are valued at the relevant market value on that date. Any positive difference between the purchase price and the shareholders' equity of the acquired company remaining after revaluation is capitalized as goodwill. Any negative difference (negative goodwill) is credited directly to the income statement on the date of acquisition. Goodwill carried on the balance sheet is not amortized, but is subject to an annual impairment test. Any impairment is charged to income.

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

- Companies in which Adval Tech Holding Ltd holds a direct or indirect voting interest of **more than 50%** and/or exercises management and control are fully consolidated. In such cases, assets and liabilities, expenses and income are included in full in the consolidated financial statements. If appropriate, minority interests of other shareholders in net assets and net profit are segregated and stated separately. Accounts receivable, accounts payable, income and expenses between group companies are mutually offset. Intragroup profits or losses on intercompany deliveries are eliminated via the income statement.

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

The companies included in the consolidation and the exchange rates applied are listed in explanatory note 2 to the consolidated financial statements.

1.3 Foreign currency translation

The consolidated financial statements are drawn up in Swiss francs (CHF), the operating and 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.

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

- The balance sheets of foreign companies are translated at year-end exchange rates, their income statements at average rates for the year. The differences arising from translation are directly credited or debited to shareholders' equity.
- Gains or losses on currency transactions by the companies are posted to the income statement.
- Exchange rate differences arising on loans granted to group companies by the parent company for long-term financing of investments are posted directly to shareholders' equity if the loan was granted in the book currency of the lender or the borrower.

1.4 Financial risk management

The Adval Tech Group is exposed to financial risks in the context of its business activities. It seeks by systematic management to minimize any adverse effects of the related fluctuations on its financial results. The risks and hedging concepts can be summarized as follows:

Interest rate risks: The group is exposed to interest rate fluctuations on the capital market. These risks are reduced by centralized coordination of financial liabilities and financial assets. Derivative financial instruments can also be used to hedge interest rate risks.

Credit risks: Credit risks are minimized by continuous monitoring of overdue payments from counterparties and by verifying the credit-worthiness of new business partners. This is primarily undertaken locally.

Currency risks: The currency risk is reduced primarily by direct balancing of payment flows in foreign currencies. Derivative financial instruments can also be used to reduce exchange risks further. The use of hedging instruments is coordinated centrally.

Only risks arising from operating activities are hedged.

1.5 Financial accounts receivable and payable

Financial accounts receivable and payable are valued as follows:

- Loans granted, receivables from finance lease transactions, customers' credit balances, prepaid expenses and accrued income as well as assets held to maturity are valued in principle at remaining acquisition cost. Any value adjustment is made via the income statement if impairment is recognized.
- Trade accounts payable, accrued expenses as well as short-term and long-term financial liabilities are valued at remaining acquisition value.

- Derivative financial instruments are always stated at market value. Adjustments to market value are made via the income statement.

1.6 Liquid assets
Liquid assets include cash, credit balances on postal and bank accounts as well as time deposits maturing within 90 days and readily marketable securities. Bank accounts with negative balances are included in short-term liabilities.

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

1.8 Inventories and work in progress
Inventories and work in progress are stated at the lower of acquisition/manufacturing cost or realizable value. Costs are calculated using the weighted average price method. Manufacturing costs include direct personnel expenses and cost of materials as well as the relevant share of overheads. Inventory risks are identified by means of coverage analyses and individual observation, and provisions made accordingly. Long-term orders with individual contract values of more than CHF 0.5 million are stated according to the percentage-of-completion method. Income and costs are taken into account according to the degree of completion. The degree of completion is calculated by establishing the ratio of the costs incurred for the services rendered up to the relevant balance sheet date to the costs expected for the order as a whole. Discounts are included in financial income.

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

1.9 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, for machinery, equipment and fixtures 5 to15 years, for especially long-lived machinery up to 25 years, for office equipment and machinery including computer hardware and software 3 to 10 years. Interest on borrowings arising from the establishment of new tangible fixed assets is included as expenditure in the period in which it is incurred. Repair and maintenance expenses are charged to income. Extensive equipment overhauls are only capitalized if they result in measurable capital appreciation in the form of higher performance or longer useful life.

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

1.11 Intangible assets
Acquired patents, licenses and trademarks are valued at acquisition or manufacturing cost if their earnings potential can be reliably estimated and they fulfill the further criteria for capitalization in conformity with IAS 38. Other identifiable intangible assets arising from acquisition, such as customer relationships or orders in hand, are stated at current value. These intangible assets are amortized using the straight-line method over their expected useful life, not exceeding ten years.

Goodwill arising from the acquisition of assets or a company is included under intangible assets. Goodwill arising from acquisitions prior to the change to IFRS has been offset directly against shareholders' equity.

Research costs are charged to income. Expenditure on development projects is capitalized and amortized over their expected useful life if their earnings potential can be reliably estimated and they fulfill the further criteria for capitalization in conformity with IAS 38.

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 included under short-term or long-term liabilities.

1.13 Impairment of assets

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

1.14 Short-term liabilities

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

1.15 Provisions

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

1.16 Shareholders' equity

The following distinctions are made in respect of reserves:

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

1.17 Income recognition

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

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

1.18 Income taxes

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

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

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

1.19 Payments to employees

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

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

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

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

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

1.20 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 management are deemed to be related parties.

1.21 Subtotals in the consolidated financial statements

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

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

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

2. SCOPE OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

Company	Registered office	Share capital / capital stock		Equity holding
Adval Tech Holding Ltd	Niederwangen, Switzerland	TCHF	7,300	
Adval Tech Management Ltd	Niederwangen, Switzerland	TCHF	100	100%
Styner+Bienz FormTech Ltd	Niederwangen, Switzerland	TCHF	3,050	100%
Styner+Bienz do Brasil Ltda.	São José dos Pinhais PR, Brazil	TBRL	939	100%
AWM Mold Tech Ltd	Muri (AG), Switzerland	TCHF	600	100%
AWM Plast Tech Ltd	Merenschwand, Switzerland	TCHF	600	100%
AWM Plastpack Ltd	Muri (AG), Switzerland	TCHF	600	100%
Teuscher Kunststoff-Technik Ltd	Grenchen, Switzerland	TCHF	2,000	100%
Giesserei & Metallwarenfabrik Josef Rieger AG	Grenchen, Switzerland	TCHF	400	100%
AWM Swiss Technology Ltd	Hong Kong, China	THKD	10	100%
AWM Mold Tech Trading (Shanghai) Co. Ltd	Shanghai, China	TUSD	200	100%
AWM Mold Service US Inc.	Beverly, MA, USA	TUSD	1	100%
Foboha Holding GmbH	Haslach, Germany	TEUR	25	100%
Foboha GmbH	Haslach, Germany	TEUR	512	100%
Foboha US Inc.	Beverly, MA, USA	TUSD	1	100%

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

Adval Tech Holding Ltd acquired 100% of the share capital of Giesserei & Metallwarenfabrik Josef Rieger AG in Grenchen at the end of October 2006. This company owns the property adjacent to Teuscher Kunststoff-Technik AG and apart from managing the property and other assets no longer pursues any other business activities. The cost of acquisition totaled CHF 4.9 million, consisting of the purchase price of CHF 4.7 million in cash and CHF 0.2 million for other acquisition costs, such as consulting and support during negotiations. The cost of acquisition was calculated on the basis of net asset values and a revaluation of the property.

The balance sheet of Giesserei & Metallwarenfabrik Josef Rieger AG at October 31, 2006, prepared in accordance with the group's valuation principles, was as follows:

CHF 1,000	**IFRS book values prior to consolidation**	**Included in the consolidated balance sheet**
Liquid assets	4,612	4,612
Other current assets	3	3
Tangible fixed assets	733	733
Short-term liabilities	-9	-9
Deferred tax liability	-78	-78
Net assets acquired	**5,261**	**5,261**
Purchase price and acquisition costs		**-4,851**
Negative goodwill		**410**

The negative goodwill of CHF 0.4 million arising in connection with the acquisition was charged to the income statement (other operating income). The impact of the new subsidiary on the financial position and results of the Adval Tech Group was immaterial. The loss posted by the subsidiary since its initial consolidation amounted to CHF 0.03 million. Since the company acquired was no longer engaged in operating activities in 2006, the total income and net profit of the Adval Tech Group would not have been affected by its consolidation for 2006 as a whole.

The following changes took place in the scope of consolidation in 2005:

Styner+Bienz FormTech Ltd and Lanz Industrietechnik AG were merged in June 2005 with retroactive effect as of January 1, 2005. The merged company trades under the name of Styner+Bienz FormTech Ltd.

Adval Tech Holding Ltd acquired the entire share capital of Teuscher Kunststoff-Technik AG in Grenchen at the beginning of June 2005. This company is primarily engaged in manufacturing volume plastic components for applications in medical technology. It was included in the consolidated accounts as of June 1, 2005, and integrated in the Injection Molding Division.

The cost of acquisition totaled CHF 5.6 million, consisting of CHF 5.5 million in cash and CHF 0.1 million for external consulting and support during negotiations up to conclusion of the contract.

Calculation of the cost of acquisition also took the following factors into account: entering a new market, taking over existing customer relationships, specific market expertise and experience with requirements for volume components in the medical technology market.

The balance sheet of Teuscher Kunststoff-Technik AG at June 1, 2005, prepared in accordance with the group's valuation principles, is as follows:

CHF 1,000	IFRS book values prior to consolidation	Included in the consolidated balance sheet
Liquid assets	143	143
Other current assets	1,484	1,484
Tangible fixed assets	6,505	7,163
Intangible assets	0	245
Deferred tax assets	15	0
Short-term liabilities	-961	-961
Long-term interest-bearing liabilities	-4,282	-4,282
Deferred tax liability	0	-192
Net assets acquired	**2,904**	**3,600**
Purchase price and acquisition costs		**-5,587**
Goodwill		**1,987**

Existing customer relationships were capitalized with a value of CHF 0.2 million on the date of acquisition. There were no other intangible assets (such as patents, trademarks, licenses, non-personal product and market know-how), for which a market value could be directly allocated and included. Goodwill stated in the consolidated financial statements thus amounts to CHF 2.0 million.

The impact of the new subsidiary on the financial position and results of the Adval Tech Group in 2005 was positive. The profit earned by the subsidiary since its initial consolidation amounted to CHF 0.2 million in 2005. If the company had been acquired as of January 1, 2005, the group's total income in 2005 would have been CHF 2.6 million higher, and net profit would have been some CHF 0.1 million higher.

Exchange rates

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

	on Dec. 31, 2006	Average in 2006	on Dec. 31, 2005	Average in 2005
BRL	0.57198	0.57758	0.56527	0.51587
CNY	0.15643	0.15739	0.16312	0.15230
EUR	1.60965	1.57331	1.55851	1.54842
HKD	0.15685	0.16140	0.16973	0.16021
USD	1.21975	1.25364	1.31591	1.24577

3. TRADE ACCOUNTS RECEIVABLE

CHF 1,000	12/31/2006	12/31/2005
Trade accounts receivable from third parties	39,385	34,046
Trade accounts receivable from related parties	297	116
Total trade receivables	**39,682**	**34,162**

The allowance for doubtful receivables deducted directly from the receivable amount totaled CHF 1.0 million on December 31, 2006 (CHF 1.3 million in 2005).

Losses on receivables charged to income in the year under review totaled CHF 0.4 million (CHF 0.4 million in 2005).

4. OTHER RECEIVABLES

CHF 1,000	12/31/2006	12/31/2005
Receivables from positive replacement values of derivative financial instruments	349	179
Other short-term receivables	5,338	7,267
Advance payments to suppliers	617	743
Total other receivables	**6,304**	**8,189**

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

5. INVENTORIES AND WORK IN PROGRESS

CHF 1,000	12/31/2006	12/31/2005
Goods for sale	187	172
Raw material	8,998	6,188
Semi-finished and finished goods	35,055	37,785
Work in progress	33,109	21,917
Provisions	-14,702	-11,757
Total inventories and work in progress	**62,647**	**54,305**

The total inventories and work in progress includes CHF 0.8 million stated at net realizable value (CHF 1.0 million in 2005).

CHF 1,000		12/31/2006		12/31/2005
	Assets	Liabilities	Assets	Liabilities
Work in progress	43,173	-10,064	28,312	-6,395
Advance payments by customers	-10,064	18,329	-6,395	11,307
Net assets from work in progress	33,109	0	21,917	0
Net liabilities from work in progress	0	8,265	0	4,912

The manufacturing costs of orders reported under work in progress and valued using the percentage-of-completion method totaled CHF 20.0 million (CHF 7.3 million in 2005). The stated profit was CHF -0.5 million (CHF 0.9 million in 2005).

6. PREPAID EXPENSES AND ACCRUED INCOME

The reduction of CHF 2.5 million in prepaid expenses and accrued income compared with the previous year was due largely to the Stamping and Forming Division and resulted from the elimination of the provision for meeting fixed costs for production facilities.

7. TANGIBLE FIXED ASSETS

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

CHF 1,000	Land	Buildings	Production equipment and machinery	Other tangible fixed assets	Leased equipment	Installations under construction	Total
Cost							
at January 1, 2005	**7,136**	**89,715**	**162,918**	**33,796**	**5,764**	**2,490**	**301,819**
Changes in the scope of consolidation	605	6,853	5,128	2,797	0	16	15,399
Capital expenditure in the year under review	0	4,478	9,003	3,635	665	2,801	20,582
Disposals	0	-150	-17,770	-367	-1,847	-443	-20,577
Other changes	0	0	-249	249	0	0	0
Change in acc. translation diff.	12	152	2,113	245	0	71	2,593
at December 31, 2005	**7,753**	**101,048**	**161,143**	**40,355**	**4,582**	**4,935**	**319,816**
Changes in the scope of consolidation	618	115	0	0	0	0	733
Capital expenditure in the year under review	0	4,148	9,472	3,993	80	-3,717	13,976
Disposals	0	-259	-2,197	-2,340	0	-308	-5,104
Other changes	0	0	120	0	0	0	120
Change in acc. translation diff.	43	417	1,272	265	0	35	2,032
at December 31, 2005	**8,414**	**105,469**	**169,810**	**42,273**	**4,662**	**945**	**331,573**
Accumulated depreciation							
at January 1, 2005	**0**	**-24,454**	**-102,594**	**-20,680**	**-2,888**	**0**	**-150,616**
Changes in the scope of consolidation	0	-2,555	-3,417	-2,264	0	0	-8,236
Depreciation in the year under review	0	-3,225	-11,595	-4,598	-2,867	0	-22,285
Impairment provision							0
Impairment release							0
Disposals	0	13	17,469	251	1,847	0	19,580
Other changes							0
Change in acc. translation diff.	0	-47	-860	-127	0	0	-1,034
at December 31, 2005	**0**	**-30,268**	**-100,997**	**-27,418**	**-3,908**	**0**	**-162,591**
Changes in the scope of consolidation							0
Depreciation in the year under review	0	-3,573	-12,101	-5,046	-622	-37	-21,379
Impairment provision							0
Impairment release							0
Disposals	0	259	1,931	2,121	0	0	4,311
Other changes							0
Change in acc. translation diff.	0	-53	-788	-166	0	0	-1,007
at December 31, 2006	**0**	**-33,635**	**-111,955**	**-30,509**	**-4,530**	**-37**	**-180,666**
Book values							
at January 1, 2005	7,136	65,261	60,324	13,116	2,876	2,490	**151,203**
at December 31, 2005	7,753	70,780	60,146	12,937	674	4,935	**157,225**
at December 31, 2006	8,414	71,834	57,855	11,764	132	908	**150,907**
of which leased installations (finance leases)							
at January 1, 2005	1,500	4,701	2,858	0	0	0	**9,059**
at December 31, 2005	1,500	4,701	3,464	57	0	0	**9,722**
at December 31, 2006	1,500	4,701	2,959	42	0	0	**9,202**

The leased land and buildings relate to a purchase commitment vis-à-vis Franke Switzerland AG for manufacturing premises in Wolfwil. This property is currently rented by Styner+Bienz FormTech Ltd. The leased machinery and equipment and other tangible fixed assets relate to manufacturing equipment at companies in the Injection Molding Division.

Orders totaling CHF 2.5 million were outstanding on December 31, 2006, for capital goods which had not yet been delivered or invoiced and were therefore not yet included in tangible fixed assets (CHF 0.8 million in 2005).

8. INCOME FROM LEASING TRANSACTIONS

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

CHF 1,000	12/31/2006	12/31/2005
within one year	187	473
in two to five years	434	201
after more than five years	0	0
Total future rental income	**621**	**674**

9. FINANCIAL ASSETS

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

CHF 1,000	12/31/2006	12/31/2005
Receivables from finance lease contracts	341	1,027
Other long-term receivables	734	722
Long-term loans	0	393
Total financial assets	**1,075**	**2,142**

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

CHF 1,000	12/31/2006	12/31/2005
within one year	1,133	1,274
in two to five years	341	1,027
after more than five years	0	0
Total future leasing income	**1,474**	**2,301**

The nominal value of these credits totals CHF 1.5 million (CHF 2.4 million in 2005). The amounts due for payment within one year are included in other short-term receivables.

10. INTANGIBLE ASSETS

CHF 1,000	Goodwill	Capitalized development costs	Others	Total
Cost				
at December 31, 2005	**2,906**	**0**	**1,557**	**4,463**
Changes in the scope of consolidation				0
Capital expenditure in the year under review	0	1,351	0	1,351
Disposals				0
Other changes				0
Change in accumulated translation difference	0	6	0	6
at December 31, 2006	**2,906**	**1,357**	**1,557**	**5,820**
Accumulated depreciation				
at December 31, 2005	**-919**	**0**	**-617**	**-1,536**
Changes in the scope of consolidation				0
Depreciation in the year under review	0	-141	-335	-476
Impairment provision				0
Impairment release				0
Disposals				0
Other changes				0
Change in accumulated translation difference	0	0	2	2
at December 31, 2006	**-919**	**-141**	**-950**	**-2,010**
Book values				
at December 31, 2005	1,987	0	940	2,927
at December 31, 2006	1,987	1,216	607	3,810

The other intangible assets mainly represent the value of the customer relationships gained through the acquisitions. They will be amortized in full within four years. Intangible assets valued at CHF 1.3 million were generated in-house in the year under review.

The research and development expenditure included in the income statement totaled CHF 1.6 million (CHF 1.5 million in 2005).

The goodwill arising from the acquisition of Teuscher Kunststoff-Technik AG was verified toward the end of 2006. This showed that the goodwill has maintained its value. This examination was based on the business plan approved by the Board of Directors for the current year and the coming three years. Planning assumes long-term growth of 1% and a discount rate of 8%.

Intangible assets in 2005:

CHF 1,000	Goodwill	Other	Total
Cost			
at December 31, 2004	**919**	**1,311**	**2,230**
Changes in the scope of consolidation	1,987	245	2,232
Capital expenditure in the year under review			0
Disposals			0
Other changes			0
Change in accumulated translation difference	0	1	1
at December 31, 2005	**2,906**	**1,557**	**4,463**
Accumulated depreciation			
at December 31, 2004	**-919**	**-305**	**-1,224**
Changes in the scope of consolidation			0
Depreciation in the year under review	0	-311	-311
Impairment provision			0
Impairment release			0
Disposals			0
Other changes			0
Change in accumulated translation difference	0	-1	-1
at December 31, 2005	**-919**	**-617**	**-1,536**
Book values			
at December 31, 2004	0	1,006	1,006
at December 31, 2005	1,987	940	2,927

11. TRADE ACCOUNTS PAYABLE

CHF 1,000	12/31/2006	12/31/2005
Trade accounts payable to third parties	24,596	17,126
Trade accounts payable to related parties	131	879
Total trade accounts payable	**24,727**	**18,005**

12. SHORT-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2006	12/31/2005
Banks	10,680	1,384
Short-term leasing liabilities to third parties	820	1,032
Short-term leasing liabilities to related parties	255	255
Total short-term interest-bearing liabilities	**11,755**	**2,671**

The short-term bank loans are covered by total liquid assets of CHF 22.9 million (gross). Liabilities to banks included CHF 5.4 million of fixed-rate mortgages due for repayment in 2007. The remaining liabilities to banks are current account overdrafts at interest rates based on LIBOR or EURIBOR.

13. OTHER SHORT-TERM LIABILITIES

CHF 1,000	12/31/2006	12/31/2005
Advance payments by third parties	8,265	4,912
Other short-term liabilities to third parties	3,837	2,516
Other short-term liabilities to related parties	1,169	0
Liabilities arising from negative replacement values of derivative financial instruments	351	1
Total other short-term liabilities	**13,622**	**7,429**

14. LONG-TERM INTEREST-BEARING LIABILITIES

CHF 1,000	12/31/2006	12/31/2005
Mortgages	0	5,350
Long-term leasing liabilities to third parties	363	1,178
Long-term leasing liabilities to related parties	4,258	4,254
Long-term interest-bearing loans	83,000	84,182
Total long-term interest-bearing liabilities	**87,621**	**94,964**

The long-term interest-bearing loans are bank loans. They are based mainly on a revolving credit facility concluded with a banking consortium in June 2005 for up to CHF 120 million, with a term of four years. The credit facility is dependent on compliance with key financial statistics (levels of debt and interest cover, leverage ratio), all of which were complied with at the end of 2005. The amount of credit is continuously adjusted to current financial requirements in order to optimize financing costs.

The average interest charge in the year under review was 3.2% (2.6% in 2005).

15. LEASING LIABILITIES

Liabilities arising from leasing contracts are payable as follows:

CHF 1,000	12/31/2006	12/31/2005
Face value of liabilities arising from leasing contracts due		
within one year	1,075	1,328
in two to five years	5,157	5,976
in more than five years		
Total future payment commitments	*6,232*	*7,304*
less proportionate interest on the payments	-536	-585
Net present value of liabilities arising from finance leases	*5,696*	*6,719*
of which short-term leasing liabilities	1,075	1,287
of which long-term leasing liabilities	4,621	5,432
Net present value of liabilities arising from leasing contracts due		
within one year	1,075	1,287
in two to five years	4,621	5,432
in more than five years		
Total net present value	*5,696*	*6,719*

16. PROVISIONS

CHF 1,000	Warranty provisions	Payments to employees	Other provisions	Total
Long-term provisions at December 31, 2005	480	1,502	602	2,584
Short-term provisions at December 31, 2005	1,142	0	877	2,019
Total at December 31, 2005	**1,622**	**1,502**	**1,479**	**4,603**
Change in the scope of consolidation				0
Addition	195	33	1	229
Utilization	0	0	-515	-515
Release of provisions no longer required	-183	-171	-13	-367
Difference arising from currency translation	16	0	23	39
Adjustments to net present value				0
Total at December 31, 2006	**1,650**	**1,364**	**975**	**3,989**
Long-term provisions at December 31, 2006	101	1,364	5	1,470
Short-term provisions at December 31, 2006	1,549	0	970	2,519

17. DEFERRED TAXES

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

CHF 1,000	Credits	Liabilities	Balance
Accumulated losses	1,150	0	1,150
Current assets	352	3,689	-3,337
Tangible fixed assets	256	10,949	-10,693
Other fixed assets	88	420	-332
Liabilities	290	624	-334
Total at December 31	**2,136**	**15,682**	**-13,546**

2005:

CHF 1,000	Credits	Liabilities	Balance
Accumulated losses	754	0	754
Current assets	251	3,820	-3,569
Tangible fixed assets	295	10,058	-9,763
Other fixed assets	16	549	-533
Liabilities	545	1,046	-501
Total at December 31	**1,861**	**15,473**	**-13,612**

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

CHF 1,000	12/31/2006	12/31/2005
Deferred tax liability	14,293	14,074
Deferred tax asset	747	462
Total	**13,546**	**13,612**

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

CHF 1,000	12/31/2006	12/31/2005
expiring in one or two years	0	0
expiring in three years	0	560
expiring in four years	0	27
expiring in five years	0	855
expiring in more than five years	1,897	1,267
Total	**1,897**	**2,709**

18. STATEMENT OF SHARE CAPITAL

Share capital was as follows on December 31, 2006:

	Registered shares
At January 1, 2006	365,000
At December 31, 2006	365,000
	fully paid
Par value in CHF	20
Dividend restrictions	none
Voting restrictions	exist
Number of shares held by the Adval Tech Group on December 31	283

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

Purchasers of registered shares are entered in the shareholders' register as shareholders with voting rights upon application if they expressly state that they have acquired the registered shares in their own name and for their own account. As provided by Article 7 of the Articles of Incorporation of Adval Tech Holding Ltd dated June 24, 2004, purchasers of shares in excess of 5% of the registered capital stock recorded in the Commercial Register will not be entered with voting rights. This is subject to Art. 685d, para. 3, of the Swiss Code of Obligations. Groups of individuals who are associated with each other and act in concert to circumvent the registration restrictions are regarded as a single purchaser. The Board of Directors can permit exceptions. In 2006 the Board of Directors granted an exception in favor of Artemis Beteiligungen II AG, which acquired its holding from Franke Holding AG in the second half of 2005. Beneficial ownership remained unaffected by this transaction. On January 30, 2007, the Board of Directors permitted an exception in favor of Willy Michel, which was granted in connection with a cooperation agreement. Furthermore, these voting restrictions do not apply to the shareholders who were registered with a holding of registered shares exceeding 5% of all share votes when the provisions of the Articles of Incorporation regarding voting restrictions were issued (Rudolf Styner, Hansruedi Bienz, Ordinary Partnership Dreier). Fiduciary entries in the shareholders' register are only possible without voting rights.

19. NET TURNOVER

CHF 1,000	2006	2005
Net income from deliveries and services	231,062	216,146
Income from manufacturing orders (valued using the percentage-of-completion method)	39,360	29,579
Total net turnover	**270,422**	**245,725**

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

20. COST OF MATERIALS AND SERVICES

Compared to the previous year, the cost of materials and services increased by CHF 20.1 million. As a proportion of total income it increased by 4.2 percentage points to 39.3%. The increase at the Stamping and Forming Division was due to the rise in the share of output in Brazil and changes in the product mix. At the Injection Molding Division more outside services had to be utilized than in 2005 due to shortages of capacity in certain manufacturing operations.

21. PERSONNEL EXPENSES

The average number of employees remained virtually stable in 2006 at 1,125 (1,122 in 2005).

22. PENSION LIABILITIES AND OTHER PAYMENTS TO EMPLOYEES

In addition to the statutory social security schemes, the group operates defined-benefit plans as defined by IAS 19. These were appraised by an independent actuary as of January 1, 2007. The assets are almost exclusively managed in separate pension funds. Unless the plans are segregated from the company, the relevant assets and liabilities are stated in the balance sheet.

The actuarial calculations according to IAS produced the following figures:

CHF 1,000	**12/31/2006**	**12/31/2005**
Plans with separate pension funds:		
Current value of plan assets	157,700	151,611
Net present value of benefits	145,911	142,486
Surplus	11,789	9,125
Unrecorded actuarial gains (-) / losses (+)	-12,129	-9,636
Net status	-340	-511
Net status	-340	-511
Plans without separate pension funds:		
Net present value of benefits	724	698
Net present value of pension provision stated in the balance sheet	724	698

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

CHF 1,000	12/31/2006	12/31/2005
Amounts included in the balance sheet:		
Asset value of pension commitments (from reinsurance)	724	698
Pension provisions	724	698
Changes in assets and liabilities included in the balance sheet:		
Pension provision at beginning of period	142,486	132,759
Translation differences	6,080	5,420
Pension costs	4,275	4,562
Actuarial gains/losses	25	-5,499
Payments made	-10,962	1,225
Employees' contributions	4,007	4,019
Pension liabilities at end of period	**145,911**	**142,486**
Changes in plan assets:		
Plan assets at beginning of period	151,611	133,273
Expected income from plan assets	6,519	5,891
Actuarial gains/losses	2,518	3,285
Payments made	-10,962	1,225
Employees' contributions	4,007	4,019
Employer's contributions	4,007	3,918
Pension assets at end of period	**157,700**	**151,611**
Provision for other payments to employees	1024	991
Provisions for payments to employees at end of period	**1,364**	**1,502**

CHF 1,000	2006	2005
Expenses recorded in the income statement:		
Current service expenses	10,170	9,439
Interest expenses	4,275	4,562
Income expected from plan assets	-6,519	-5,891
Net outcome of additions and disposals of pension funds	0	-90
Employer's contributions	-4,007	-4,019
Total expenses for pension liabilities	**3,919**	**4,001**

Material actuarial assumptions	12/31/2006	12/31/2005
Discount rate	3.00%	3.00%
Income expected from plan assets	4.30%	4.30%
Future wage increases	2.00%	2.00%
Increase in future pension benefits	1.00%	1.00%

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

Plan assets are made up as follows:

		12/31/2006		12/31/2005
	CHF 1,000	in %	CHF 1,000	in %
Shares	39,157	25	29,256	19
Bonds	78,604	49	84,759	56
Real estate	27,744	18	22,640	15
Other assets	12,195	8	14,956	10
Total	**157,700**	**100**	**151,611**	**100**

CHF 1,000	2006	2005
Empirical adjustments		
– to pension liabilities	-25	5,498
– to plan assets	2,518	3,285

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

Employees' and employer's contributions expected in the 2007 financial year are estimated at CHF 7.3 million.

The actual investment income of the employee pension funds in the year under review was CHF 9.0 million (CHF 12.7 million in 2005).

23. OTHER OPERATING EXPENSES

CHF 1,000	2006	2005
Maintenance, repair, replacements, operating materials	-15,174	-14,842
Premises, energy	-7,640	-7,976
Insurance, office and administration expenses	-7,537	-6,927
Marketing, sales and distribution expenses	-8,781	-8,338
Sundry operating expenses	-1,147	-1,228
Total other operating expenses	**-40,279**	**-39,311**

Sundry operating expenses include: capital taxes of CHF 0.1 million (CHF 0.1 million in 2005), losses of CHF 0.1 million on sales of tangible fixed assets (CHF 0.3 million in 2005), non-operating expenses of CHF 0.1 million (CHF 0.1 million in 2005).

24. FINANCIAL EXPENSES AND FINANCIAL INCOME

CHF 1,000	2006	2005
Interest earned	518	720
Currency gains	1,086	1,882
Gains on derivative financial instruments	290	8
Other financial income	1,018	941
Total financial income	**2,912**	**3,551**
Interest paid	-3,222	-2,581
Currency losses	-828	-961
Unrealized translation differences	-6	-158
Losses on derivative financial instruments	-572	-1
Other financial expenses	-1,018	-740
Total financial expenses	**-5,646**	**-4,441**
Net financial income	**-2,734**	**-890**

25. TAXES

CHF 1,000	2006	2005
Current income taxes	-751	-860
Change in provision for deferred taxes	203	458
Total tax expenses	**-548**	**-402**

Transition from profit before taxes to tax expenses:

CHF 1,000	2006	2005
Profit before taxes	4,527	4,239
Applicable tax rate, %	24,0	26,8
Tax expenses at applicable tax rate	-1,088	-1,138
Impact of utilization of non-capitalized tax loss carry-forwards	270	367
Impact of tax rates differing from the applicable tax rate	-32	0
Impact of non tax-deductible expenses	-1,191	-1,174
Impact of non-taxable income	1,257	1,452
Impact of non-inclusion of current-year losses in the balance sheet	-134	-32
Impact of the release of tax provisions / subsequent tax payments	318	0
Other	52	123
Tax expenses in the income statement	**-548**	**-402**

The applicable tax rate declined by 2.8 percentage points, primarily due to the lower pre-tax profit in countries with high tax rates.

26. EARNINGS PER SHARE

Earnings per share are calculated as follows:

	2006	2005
Net profit (CHF 1,000)	3,979	3,837
Average number of shares outstanding	364,717	364,717
Undiluted earnings per share (CHF)	10.91	10.52
Diluted earnings per share (CHF)	10.91	10.52

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

Taxes actually paid in the year under review amounted to CHF 0.03 million (CHF 2.2 million in 2005). There was an outflow of CHF 3.2 million for interest on borrowings in 2006 (CHF 2.3 million in 2005). Inflows from interest income in the year under review totaled CHF 0.5 million (CHF 0.7 million in 2005).

There were no material non-cash transactions in the year under review.

28. SEGMENTAL REPORTING

The allocation of business activities to the group's two divisions in 2006 is reflected in the following table:

CHF 1,000	Stamping and Forming Division	Injection Molding Division	Other units Eliminations	Total
Net turnover from deliveries and services	128,754	102,308	0	231,062
Income from manufacturing orders (valued using the percentage-of-completion method)	2,590	36,770	0	39,360
Net turnover	131,344	139,078	0	270,422
Total income from third parties and related parties	136,713	138,307	745	275,765
Intragroup income	726	147	10,557	11,430
Total income	137,439	138,454	-128	275,765
EBITDA	16,590	11,685	841	29,116
EBIT	6,595	491	175	7,261
Total assets (December 31)	99,864	185,540	6,218	291,622
Total liabilities (December 31)	77,626	128,172	-36,438	169,360
Capital expenditure				
– on tangible fixed assets	-3,162	-9,733	-1,081	-13,976
– on intangible assets	-546	-315	-490	-1,351
Depreciation	-9,995	-11,604	-256	-21,855
Other non-cash items	-1,728	428	-206	-1,506

The figures for 2005 were as follows:

CHF 1,000	Stamping and Forming Division	Injection Molding Division	Other units Eliminations	Total
Net turnover from deliveries and services	119,319	96,827	0	216,146
Income from manufacturing orders (valued using the percentage-of-completion method)	3,192	26,387	0	29,579
Net turnover	122,511	123,214	0	245,725
Total income from third parties and related parties	130,391	121,059	421	251,871
Intragroup income	440	92	9,089	9,621
Total income	130,831	121,151	-111	251,871
EBITDA	14,763	12,485	477	27,725
EBIT	2,962	1,869	298	5,129
Total assets (December 31)	99,650	171,008	5,783	276,441
Total liabilities (December 31)	82,282	112,940	-41,290	153,932
Capital expenditure				
– on tangible fixed assets	-4,906	-15,294	-382	-20,582
– on intangible assets	0	-2,232	0	-2,232
Depreciation	-11,801	-10,616	-179	-22,596
Other non-cash items	2,032	520	-150	2,402

The activities of the two divisions and the group structure are explained on page 13 ff. and page 10, respectively.

Income by region is as follows:

CHF 1,000	2006	2005
Net turnover	**270,422**	**245,725**
– of which Europe, Middle East, Africa	204,013	190,063
– of which America	46,514	37,664
– of which Asia and Oceania	19,895	17,998

Net turnover in the Europe, Middle East, Africa region includes CHF 1.1 million of turnover with related parties in 2006 (CHF 0.7 million in 2005).

Assets and capital expenditure by location are as follows:

CHF 1,000	2006	2005
Total assets (December 31)	**291,622**	**276,441**
– of which Europe, Middle East, Africa	273,739	262,329
– of which America	13,589	10,130
– of which Asia and Oceania	4,294	3,982
Capital expenditure on tangible fixed assets, total	**-13,976**	**-20,582**
– of which Europe, Middle East, Africa	-13,411	-19,875
– of which America	-550	-706
– of which Asia and Oceania	-15	-1
Capital expenditure on intangible assets	**-1,351**	**-2,232**
– of which Europe, Middle East, Africa	-1,350	-2,232
– of which America	-1	0

29. DIVIDENDS PAID

The annual general meeting of Adval Tech Holding Ltd for the 2005 financial year, held on June 8, 2006, approved the payment of a gross dividend of CHF 14.00 on June 13, 2005, resulting in a total distribution of CHF 5.1 million. The distribution was deducted from shareholders' equity following the approval of the relevant motion by the annual general meeting.

30. PLEDGED ASSETS

CHF 1,000	12/31/2006	12/31/2005
Book value of pledged receivables	0	0
Book value of pledged inventories	0	0
Book value of pledged tangible fixed assets	9,886	9,945
Book value of pledged intangible assets	0	0
Book value of pledged inventories	0	0
Total pledged assets	**9,886**	**9,945**

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

31. FIRE INSURANCE VALUES

CHF 1,000	**12/31/2006**	**12/31/2005**
Real estate	115,245	108,736
Other tangible fixed assets	279,970	266,479

32. CONTINGENT AND FUTURE LIABILITIES

CHF 1,000	**12/31/2006**	**12/31/2005**
Contingent liabilities in favor of third parties	1,343	1,585
Liabilities arising from leases	8,645	5,644
Liabilities arising from operating leases	161	179

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

Payments deriving from operating leases fall due as follows: CHF 0.1 million within one year, CHF 0.1 million within two to five years.

Future rental payments fall due as follows: CHF 2.0 million within one year, CHF 6.6 million in two to five years.

33. FINANCIAL INSTRUMENTS

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

The total change in market value was CHF -0,3 million.

The following financial instruments for limiting financial risks existed on balance sheet date (in CHF 1,000).

Interest rate risks:

Instrument	Contract value	Replacement value positive	negative
Interest rate cap	93,500	345	0
Total	**93,500**	**345**	**0**

In order to limit the risk of increases in interest rates, additional interest rate caps were purchased in October 2006 to replace the hedges due to expire at the beginning of 2007. Hedging volume was specified on the basis of planned medium-term credit volume. The hedges are valid until 2009 at the latest.

The figures for 2005 were as follows:

Instrument	Contract value	Replacement value positive	negative
Interest rate cap	77,500	157	0
Total	**77,500**	**157**	**0**

The following currency hedges existed at the end of 2006:

Instrument	Contract value	Replacement value positive	negative
Options	0	0	351
Forward transactions	344	4	0
Total	**344**	**4**	**351**

The above-mentioned options and forward transactions serve to hedge future EUR and USD payments arising from contracts concluded. They mature in 2007 at the latest.

2005:

Instrument	Contract value	Replacement value positive	negative
Options	0	14	0
Forward transactions	1,105	0	-1
Swaps	2,542	8	0
Total	**3,647**	**22**	**-1**

34. TRANSACTIONS WITH RELATED PARTIES

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

- the pension fund of Adval Tech Holding Ltd
- Artemis Beteiligungen II AG, Hergiswil
- Franke Holding AG, Aarburg, and the companies of the Franke Group
- the members of the Board of Directors and group management

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

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

Liabilities to related parties on balance sheet date totaled CHF 5.8 million, of which CHF 4.5 million related to a leasing commitment vis-à-vis the Franke Group (cf. explanatory note 7) and CHF 1.2 million to outstanding contributions to the pension fund.

The members of the Board of Directors and group management received only fees and salaries totaling CHF 2.2 million in the year under review.

35. EVENTS OCCURRING AFTER BALANCE SHEET DATE

No events that would adversely effect the information provided by the 2006 consolidated accounts have occurred since balance sheet date.

The dividend proposed by the board of directors for the year 2006 is indicated on page 76.

36. RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were released for publication by the Board of Directors of Adval Tech Holding Ltd on March 22, 2007.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AG
Bahnhofplatz 10
P.O. Box
3001 Berne
Switzerland
Phone +41 58 792 75 00
Fax +41 58 792 75 10

Report of the group auditors
to the general meeting of
Adval Tech Holding Ltd
Niederwangen

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes / pages 36 to 71) of Adval Tech Holding Ltd for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers AG

Peter Wittwer Martin Köhli

Berne, March 22, 2007

FINANCIAL REPORTS OF ADVAL TECH HOLDING LTD

1. BALANCE SHEET

CHF	12/31/2006	12/31/2005
Liquid assets	41,068	1,056,204
Receivables		
– from third parties	358,983	170,918
– from group companies	3,164,075	2,349,205
Prepaid expenses and accrued income		
– from third parties	471,883	667,144
Total current assets	**4,036,009**	**4,243,471**
Investments in group companies	35,029,047	30,178,396
Loans to group companies	110,021,115	112,179,039
Intangible assets	0	319,887
Total fixed assets	**145,050,162**	**142,677,322**
Total assets	**149,086,171**	**146,920,793**
Bank debt	8,750,013	0
Accounts payable	146,944	27,059
Other liabilities		
- to third parties	363,563	13,145
- to group companies	9,356	2,250
Accrued expenses	214,261	372,541
Short-term liabilities	*9,484,137*	*414,995*
Long-term liabilities		
- to third parties	63,000,000	68,000,000
- to group companies	750,000	400,000
Provisions	1,451,503	1,565,933
Long-term liabilities	*65,201,503*	*69,965,933*
Total liabilities	**74,685,640**	**70,380,928**
Share capital	7,300,000	7,300,000
General reserves	9,500,000	9,500,000
Reserve for treasury stock	81,863	81,863
Free reserves	15,013,784	15,013,784
Share capital and reserves	*31,895,647*	*31,895,647*
Balance brought forward	39,534,218	33,185,173
Net profit for the year	2,970,666	11,459,045
Retained earnings	*42,504,884*	*44,644,218*
Total shareholders' equity	**74,400,531**	**76,539,865**
Total liabilities	**149,086,171**	**146,920,793**

2. INCOME STATEMENT

CHF	2006	2005
Income from investments in group companies	1,500,000	9,500,000
Other income from third parties	6,300	0
Other income from group companies	449,658	388,213
Interest income from group companies	3,776,170	3,247,657
Interest income from third parties	1,106,317	341,492
Total operating earnings	**6,838,445**	**13,477,362**
Interest expenses, third parties	3,231,264	1,339,870
Interest expenses, group companies	10,125	14,656
Business and administration expenses	187,658	151,076
Operating expenses	**3,429,047**	**1,505,602**
Amortization of intangible assets	319,887	319,864
Operating earnings before taxes	**3,089,510**	**11,651,896**
Non-operating earnings	0	23,693
Net profit before taxes	3,089,510	11,675,589
Taxes	118,845	216,544
Net profit after taxes	**2,970,666**	**11,459,045**

3. APPENDIX

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

Treasury stock
In the course of the year under review no shares were purchased or sold from the 283 shares of treasury stock held on December 31, 2005.

Intangible assets
There were no purchases or sales of intangible assets in the year under review. Intangible assets are amortized within five years.

Investment holdings
The investment holdings of Adval Tech Holding Ltd are listed on page 45 of this report.

Major shareholders
As of December 31, 2006, the following shareholders held more than 5% of the registered share capital recorded in the Commercial Register:

- Rudolf Styner 24.6%
- Artemis Beteiligungen II AG, Hergiswil 20.3%
- Hansruedi Bienz 18.8%
- Ordinary Partnership Dreier 8.4%
- Lombard Odier Darier Hentsch Fund Managers SA, Geneva 6.9%
- Sarasin Investmentfonds AG, Basel 5.5%

Guarantees to third parties
As of December 31, 2006, Adval Tech Holding Ltd has issued guarantees to its bankers, to leasing companies and to customers in respect of a total of CHF 27,297,000. These serve to secure loans, credit lines and leasing transactions of subsidiaries of Adval Tech Holding Ltd. There is also a contingent liability arising from a future real estate transaction vis-à-vis Franke Schweiz AG of CHF 4.6 million.

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

At the disposal of the annual general meeting of shareholders		2006	2005
Balance brought forward	CHF	39,534,218	33,185,173
Net profit for the year	CHF	2,970,666	11,459,045
Retained earnings	**CHF**	**42,504,884**	**44,644,218**
Proposal by the Board of Directors			
Dividend of CHF 6 (CHF 14 in 2005) gross per registered share	CHF	2,190,000	5,110,000
Carried forward to new account	CHF	40,314,884	39,534,218
	CHF	**42,504,884**	**44,644,218**

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AG
Bahnhofplatz 10
P.O. Box
3001 Berne
Switzerland
Phone +41 58 792 75 00
Fax +41 58 792 75 10

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / page 74 to 76) of Adval Tech Holding Ltd for the year ended December 31, 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Peter Wittwer Martin Köhli

Berne, March 22, 2007

Adval Tech Holding Ltd
CH-3172 Niederwangen
Phone +41 31 980 84 44
Fax +41 31 980 82 60
info.adv@advaltech.com
www.advaltech.com

Adval Tech Management Ltd
CH-3172 Niederwangen
Phone +41 31 980 84 44
Fax +41 31 980 82 60
info.adv@advaltech.com
www.advaltech.com

Styner+Bienz FormTech Ltd
CH-3172 Niederwangen
Phone +41 31 980 81 11
Fax +41 31 980 81 55
info@ch.styner-bienz.com
www.styner-bienz.ch

Styner+Bienz do Brasil Ltda.
Av. Rocha Pombo, 2561
Águas Belas – Aeroporto
BR-83010-620 São José
dos Pinhais PR
Phone +55 41 3381 5473
Fax +55 41 3381 5489
info@styner-bienz.com.br
www.styner-bienz.ch

AWM Mold Tech Ltd
Gotthardstrasse 3
CH-5630 Muri AG
Phone +41 56 675 44 44
Fax +41 56 675 44 42
moldtech@awm.ch
www.awm.ch

AWM Plast Tech Ltd
Industrie Nord 1
CH-5634 Merenschwand AG
Phone +41 56 675 46 00
Fax +41 56 675 46 10
plasttech@awm.ch
www.awm.ch

AWM Plastpack Ltd
Pilatusstrasse 19
CH-5630 Muri AG
Phone +41 56 675 44 55
Fax +41 56 675 44 54
plastpack@awm.ch
www.awm.ch

AWM Swiss Technology Ltd
Room 1701
Billion Trade Center
31 Hung To Road
Kwun Tong, Kowloon
Hong Kong
Phone +852 2670 6000
Fax +852 2670 1918
awm@awm.com.hk
www.awm.ch

AWM Mold Tech Trading
(Shanghai) Co. Ltd.
Room 1807, He Yi Building
420 Jiang Ning Road
Shanghai, China PRC
Phone +8621 6267 8603
Fax +8621 6267 8513
awm@awm.sh.cn
www.awm.ch

AWM Mold Service US Inc.
100 Cummings Center
Suite 231-C
Beverly, MA 01915 (USA)
Phone +1 978 720 4081
Fax +1 978 720 4084
mosterode@awm-us.com
www.awm.ch

Foboha GmbH
Im Mühlegrün 8
D-77716 Haslach
Phone +49 78 32 798 0
Fax +49 78 32 798 988
foboha@foboha.de
www.foboha.de

Foboha US Inc.
100 Cummings Center
Suite 231-C
Beverly, MA 01915 (USA)
Phone +1 973 823 9426
Fax +1 973 823 9427
lisajmauro@earthlink.net
www.foboha.de

Teuscher Kunststoff-Technik AG
Niklaus-Wengi-Strasse 38
CH-2540 Grenchen
Phone +41 32 653 19 35
Fax +41 32 653 15 50
www.teuscher-ag.ch
info@teuscher-ag.ch