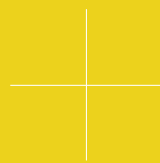
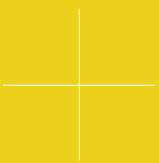
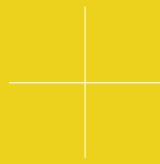
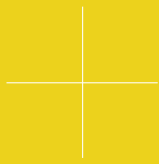
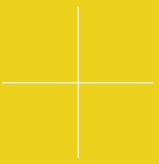
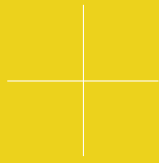
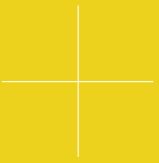


advaltech

T H E F I R S T H A L F O F 2 0 0 5

AS EXPECTED, A DIFFICULT FINANCIAL YEAR FOR ADVAL TECH



DEAR SHAREHOLDERS,

As expected, 2005 is proving a difficult financial year for the Adval Tech Group. Economic growth is still modest, the investment climate is unfavorable at the present time due to uncertainties regarding price trends for energy and raw materials, and the structural effects of globalization featuring further transfers of production processes are imposing additional pressure on our group. Operating earnings and net profit for the first six months are therefore well below the figures for the same period of the previous year. However, the company is approaching the second half of the year with confidence on the basis of the improvement in orders, its technological leadership in numerous segments and its sound financial credentials.

In the first half of 2005 the Adval Tech Group posted total income of CHF 131.9 million. Compared with the first half of 2004 this represents an increase of 6.7%, which was due primarily to the acquisition of Lanz Industrietechnik AG and Teuscher Kunststoff-Technik AG.

EBITDA (operating earnings before depreciation, interest and taxes) for the first six months of 2005 amounted to CHF 16.2 million, i.e. CHF 3.2 million lower than in the same period of the previous year. The EBITDA margin thus declined from 15.7% to 12.3%. EBIT (operating earnings before interest and taxes) fell from CHF 9.6 million in the first half of 2004 to CHF 4.6 million and net profit from CHF 5.5 million to CHF 3.1 million. However, development in cash flow from operations was positive: free cash flow excluding acquisitions in the first half of 2005 amounted to CHF 5.8 million (+ CHF 7.4 million).

The disappointing results are due primarily to developments in the AWM molds business segment of the Injection Molding Division. There has been a steep decline in orders for optical disc (OD) molds since the second half of 2004, and customers have also been extremely cautious in other markets for injection molds. The division's total income was 11% lower, and the EBITDA margin fell from 20.2% to 13.2%. This setback was partially offset by the increase in the EBITDA margin from 8% to 11% at the Stamping and Forming Division.

International Financial Reporting Standards (IFRS)

We have drawn up the 2005 semi-annual accounts in conformity with International Financial Reporting Standards (IFRS) for the first time and restated the previous year's figures on an identical basis for purposes of comparison. Reporting to shareholders will be much more extensive as a result of this change in accounting standards. This will affect in particular the presentation of the income statement, the balance sheet, the cash flow statement and the necessary explanatory notes. In addition, the effects of the change from Swiss GAAP FER to IFRS on the first half of 2004 are shown in detail in this report (see page 17). We have already documented the impact of this change on the key statistics for the 2004 financial year as a whole at this stage by way of further information for interested parties (see page 21). This enables expectations for the current financial year to be assessed more accurately.

Injection Molding Division

In the first half of 2005 the Injection Molding Division recorded total income of CHF 65.1 million (CHF 73.4 million in the previous year) and EBITDA of CHF 8.6 million (CHF 14.8 million). The Injection Molding Division's results have been dominated for years by trends in the volatile market for optical disc molds. Systematic outsourcing and skillful exploitation of opportunities in other markets for injection molds have enabled AWM to smooth the fluctuations in a generally positive market environment to date. However, the trend toward more single molds and fewer high-volume molds and the slump in the OD business resulted in severely reduced margins in the first six months of 2005. OD mold customers worldwide are having to contend with severe capacity utilization problems, due primarily to the huge increase in the cost of polycarbonate, the raw material used for ODs. New investments are being postponed and spare parts business is slack. The diversification strategy initiated with a view to reducing risks and promoting growth, and the penetration of new markets in this context, showed initial positive results, but were unable to offset the decline. However, the good level of market acceptance of the new generation of molds for ODs launched at the beginning of

2005 is encouraging for AWM. This will have a very positive impact on sales and earnings when business revives as expected.

Sales of other molds and dies were also flat in the first half of 2005. The negative exchange rate trend also had an adverse impact on results. The US dollar, which is the decisive factor in the main sales markets, declined in value by some 5% compared with the previous year. On the other hand, the semi-annual results of Foboha - acquired at the end of 2002 - and the sharp improvement in the results of the volume components business segment had a stabilizing effect on the division's results. The large orders from the automotive industry have considerably improved the utilization of manufacturing capacity at the production plant in Merenschwand. Contract manufacturing of CD and DVD boxes was at a lower level than in the previous year.

The division made an important strategic move at the beginning of June 2005 by acquiring Teuscher Kunststoff-Technik AG. Teuscher will reduce dependence on the OD market, and promising development prospects will be opened up in the growth markets of pharmaceuticals and medical technology. This innovative company based in Grenchen produces mainly high-precision volume parts in plastics for injection and spray systems for major international pharmaceutical groups.

Stamping and Forming Division

More than 60% of the Stamping and Forming Division's sales are to the automotive component supply industry. Flat automobile sales in Western Europe and the structural effects of globalization are intensifying the pressure on suppliers' prices and margins. In this difficult business environment Styner+Bienz succeeded in increasing total income by 31%, from CHF 51.0 million to CHF 66.8 million. At the same time the division's EBITDA margin improved from 8% to 11%. Lanz Industrietechnik AG in Wolfwil, acquired in June 2004 and integrated in Styner+Bienz FormTech Ltd. as of the beginning of 2005, contributed almost two-thirds of the increase in income. Sales of components for steering systems and car seats from the Wolfwil plant are within the

range of expectations. However, the process stability of some tools and systems is still unsatisfactory, and this necessitated considerable additional expenditure and had a corresponding impact on results. Sales of vehicle lamp and ABS applications developed better than expected. Styner+Bienz do Brasil Ltda. is also continuing to make encouraging progress, posting a 6% increase in sales in local currency. The revaluation of the Brazilian currency gave an additional boost to the rise in sales revenues expressed in Swiss francs.

However, the substantial rises in the cost of materials have not been passed on in full to customers, and this prevented a greater improvement in results.

Orders for mobile phone components have declined steeply. Our largest customer has lost considerable market share in a growing market. It is spinning off mobile telephone operations from its organization and disposing of a majority stake in this business. At the same time we have lost our share in the supply market to competitors who are establishing or expanding their presence in Asia.

Styner+Bienz's CNC subassembly business continued its encouraging development in the first half of 2005. The main source of sales in the sector were applications for high-performance coffee machines used in restaurant and catering establishments.

In the past Styner+Bienz also manufactured production lines for third parties by way of a complementary activity. In light of the adverse trend in business and unfavorable prospects for the future, the division decided to discontinue its active involvement in this volatile business, which entails considerable risks. However, Styner+Bienz is retaining its core team specializing in high-speed transfer systems, which will be at the disposal of the division's volume components operations for order acquisition, customer advisory services and optimization of in-house installations. The implementation of these moves will be completed at the end of the third quarter of 2005.

The technology center is a key element in improving results. More accurate risk appraisal at the start of a

project and more systematic work in the development and design department result in shorter project lead times, lower error-related costs and more efficient commissioning. The relevant improvements initiated last year produced initial results in the first half of 2005.

Outlook

The rapid globalization of our key markets is raising new strategic issues for the Adval Tech Group. New challenges arise for example in connection with our production location policy. We need to study whether new manufacturing locations in Eastern Europe, Asia or North America would be opportune, as well as the further globalization of our purchasing operations.

Meanwhile the potential for operational improvements will not be neglected. In particular, the expansion in volume we are aiming to achieve should result in better utilization of our capacity with relatively modest capital spending. A further increase in productivity will enhance our cost-related competitiveness. At the same time we are seeking to make our cost basis more flexible so that we can respond even faster and more effectively to fluctuations in activity levels. Appropriate action has been initiated.

It remains difficult to assess the trend for the second half of 2005. We are making the following assumptions:

- **Injection Molding Division:** Based on the improvement in orders in hand we expect higher sales of molds and volume components. At the same time the product mix and order structure are likely to shift toward higher-margin products. We also believe that the action we have taken will have an impact on profits. Teuscher Kunststoff-Technik AG, acquired in June of this year, will also make a positive contribution to results. Despite ongoing pressure on prices and margins, we therefore expect better results in the second half than in the first six months.
- **Stamping and Forming Division:** We expect a slight improvement in total income in the volume components business, but the overall figure is likely

to be lower than in the first half of 2005 due to the discontinuation of the systems engineering business. The action initiated at the operational level will have an increasing impact on profits, but overall margins will remain flat.

On this basis we expect an increase in total income in 2005 compared with the previous year to between CHF 260 million and CHF 270 million (IFRS figure for 2004: CHF 263 million), but lower net profit between CHF 8.5 million and CHF 10.5 million (IFRS figure for 2004: CHF 13.3 million).

As expected, 2005 is proving a difficult financial year for the Adval Tech Group. However, the board of directors and group management are tackling the business challenges vigorously and with considerable confidence in light of the group's existing positions of technological leadership in numerous sectors and its sound financial base. We aim to exploit the opportunities offered by globalization, minimize its risks and at the same time devote all our energies to restoring our profitability and financial strength.

Niederwangen, end of August 2005

Herbert Thönen
Chairman of the Board

Jean-Claude Philipona
Chief Executive Officer

KEY SEMI-ANNUAL FIGURES OF THE ADVAL TECH GROUP

1000 CHF	1 st half of 2005	1 st half of 2004*	+/-
Total income	131,881	123,644	+7%
Stamping and Forming Division	66,849	51,032	+31%
Injection Molding Division	65,108	73,409	-11%
Net turnover	127,608	112,119	+14%
Operating earnings before depreciation (EBITDA)	16,165	19,444	-17%
in % of total income	12.3	15.7	-3.4
Stamping and Forming Division	7,327	4,088	+79%
Injection Molding Division	8,591	14,842	-42%
Operating earnings (EBIT)	4,556	9,639	-53%
in % of total income	3.5	7.8	-4.3
Stamping and Forming Division	886	-510	-
Injection Molding Division	3,505	9,757	-64%
Net profit	3,110	5,476	-43%
in % of total income	2.4	4.4	-2.0
Cash provided by operating activities	15,203	3,776	+303%
Free cash flow	313	-1,096	-
Free cash flow before acquisitions	5,757	-1,603	-
Capital expenditure	8,387	6,243	+34%
Stamping and Forming Division	2,262	1,488	+52%
Injection Molding Division	5,968	4,645	+28%
Number of employees incl. trainees	1,103	1,012	+91
Stamping and Forming Division	548	481	+67
Injection Molding Division	549	523	+26

* The Adval Tech Group has drawn up the semi-annual accounts in conformity with International Financial Standards Reporting (IFRS) for the first time and restated the previous year's figures on an identical basis for purposes of comparison.

ACCOUNTING PRINCIPLES

The semi-annual financial statements of the Adval Tech Group have been drawn up for the first time in conformity with International Financial Reporting Standards (IFRS) in condensed form according to IAS 34. The restatement has been made with reference to IFRS 1. The following accounting principles therefore apply as of January 1, 2005:

GENERAL INFORMATION

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

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.

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 in accordance with uniform group principles on this date. Any positive difference between the purchase price and the shareholders' equity of the acquired company remaining after revaluation is stated in the balance sheet as goodwill. Any negative goodwill is credited directly to income on the date of acquisition. Goodwill carried on the balance sheet is not amortized, but tested annually for impairment. 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 capital or voting inter-

est of **more than 50%** and/or the group 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 estimated and eliminated via the income statement.

- Associated companies in which the group controls **between 20% and 50%** of the votes are included in the consolidated financial statements using the equity method. The share of profits and shareholders' equity attributable to the Adval Tech Group is then included.
- Holdings of **less than 20%** are stated in the balance sheet at market value. If the market value cannot be determined, they are valued at cost, less any provisions.

The companies included in the consolidation are listed in the financial report for 2004. Changes in the scope of consolidation since January 1, 2005, are shown in the explanatory note 2 to the consolidated semi-annual financial statements.

FOREIGN CURRENCY TRANSLATION

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, the 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 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.

FINANCIAL RISK MANAGEMENT

The Adval Tech Group is exposed to financial risks such as exchange rate fluctuations or interest rate changes in the context of its business. Adval Tech seeks to minimize any adverse effects of such fluctuations on net financial income through selective financial management. Derivative financial instruments are employed to hedge currency and interest rate risks. Their use is centrally coordinated.

VALUATION PRINCIPLES

The consolidated financial statements are based in principle on the lower of acquisition/manufacturing cost or market value. Assets and liabilities are valued individually.

Loans granted, receivables, prepaid expenses and accrued income, as well as assets held to maturity, are in principle valued at cost or the original invoice amount, respectively. A provision is made against income if impairment is deemed likely. Trade accounts payable, accrued expenses as well as short-term and long-term financial liabilities are valued at amortized cost. In principle, financial assets held for disposal, assets and liabilities held for trading purposes as well as derivative financial instruments are stated at market value. Changes in market value are posted to income.

Drawing up the consolidated financial statements in conformity with the accounting standards applied requires estimates and assumptions to be made which affect the figures stated for assets and liabilities as well as contingent receivables and liabilities on balance sheet date and income and expenses in

the reporting period. The actual results can differ from these estimates.

The main valuation principles are set out below.

Current assets

- Liquid assets include cash, credit balances on postal giro and bank accounts, as well as time deposits with a term up to 90 days and readily marketable securities.
- Receivables include trade accounts receivable and other short-term receivables. Time deposits with a term of 90 days to 1 year are also stated here.
- Inventories and work in progress are stated at acquisition or production cost, but not exceeding realizable value. Provisions are made for risks inherent in the inventories. 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. Discounts are included in financial income.

Fixed assets

- Tangible fixed assets are stated at cost less accrued depreciation, which is calculated using the straight-line method on the basis of estimated useful life. In the case of buildings we apply a useful life of 30 to 40 years, for machinery, equipment and fixtures 5 to 15 years, for especially long-lived machinery up to 25 years, for office equipment and machinery including computer hardware and software 3 to 10 years. Interest on borrowings arising from the establishment of new tangible fixed assets is included as expenditure in the period in which it is incurred.
- Financial assets consist of investment holdings consolidated using the equity method, other investments, securities in the nature of long-term investments, receivables from financial leasing and long-term loans to third parties.

- Research costs are charged to income. Expenditure on development projects is only capitalized if their earnings potential can be reliably estimated.
- Patents, licenses and trademarks acquired are capitalized if their earnings potential can be reliably estimated. These intangible assets are amortized over their expected useful lives, but not exceeding 10 years.
- Goodwill arising on the acquisition of assets or a company is stated in the balance sheet under intangible assets.
- Capital goods financed by long-term leasing contracts (financial leasing) are capitalized and written off over their useful life. The relevant leasing commitments are included under short- or long-term liabilities.
- If there is evidence of impairment of assets, their realizable value is estimated. The realizable value of goodwill is verified 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.

Liabilities

- Trade accounts payable and other liabilities are deemed to be short-term if the period remaining to their maturity is less than one year. This also includes the portion of long-term liabilities falling due for repayment within one year.
- Accrued expenses consist of non interest-bearing amounts owed on balance sheet date, such as social security and insurance contributions, accruals for holiday and overtime entitlements and similar liabilities including provisions for current taxes and the short-term portion of provisions.
- Provisions are made for warranties, risks, impending losses and restructuring costs. These provisions refer exclusively to transactions origi-

nating in the past. The size of the provisions reflects the likely future outflow of funds that can be reliably estimated. Provisions for receivables are made directly against the relevant receivables (collection risk). Provisions are recognized at net present value if the associated outflow of funds is assumed to take place more than one year after balance sheet date. The net present values are adjusted via financial expenses.

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.
- Retained earnings include all profits generated by the group itself since January 1, 1996, and not distributed.

Income recognition

- Income is recognized when it is assured that the financial benefit of the transaction has accrued to the company and can be estimated accurately. Income from sales of goods is deemed to be realized when their benefit and risk pass to customers.

Income taxes

- Current income taxes are calculated on the taxable profit of the individual companies in accordance with local tax legislation and accrued appropriately.
- Temporary valuation differences arise from the differing valuations of assets and liabilities in the individual financial statements for tax purposes and the consolidated financial statements. Deferred taxes are calculated on all temporary valuation differences at current or – to the extent that these are foreseeable – future tax rates.

- Tax-deductible loss carry-forwards are only stated as deferred tax credits if it is probable that a tax advantage will arise from offsetting the loss.

Pension liabilities

- Occupational pension benefits for employees are based on the relevant regulations in the countries where the Adval Tech Group operates.
- Future pension liabilities for Swiss pension plans are calculated using the “projected unit credit” method. According to this method, expenditure to secure future pension entitlements is spread over the expected working lifetime of employees and charged to income accordingly. The amount of such expenditure and its distribution over employees’ working lifetimes are based on the recommendations of independent actuaries.
- The group’s contributions to pension funds are charged to income in the year for which they are paid.
- Actuarial gains and losses are taken to income if the accumulated gains or losses of the individual pension plans left out of account 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 working lives of employees.

Relationships with associates

- Relationships with associated persons and companies are recorded separately and stated if material. Associates are deemed to be those having a special interest in the development of the Adval Tech Group and/or able to exert direct or indirect influence on the business activities of the Adval Tech Group. In particular, major shareholders, group pension funds, the board of directors and group management are deemed to be associates.

CONSOLIDATED BALANCE SHEET

CHF 1000	Notes	6/30/2005	12/31/2004
Liquid assets		16,044	8,889
Trade accounts receivable		39,631	39,080
Other receivables		8,421	7,088
Inventories and work in progress		59,782	56,500
Prepaid expenses and accrued income	3	6,568	959
Total current assets		130,446	112,516
Tangible fixed assets		156,364	151,203
Financial assets	4	2,208	937
Intangible assets	2	3,096	1,006
Deferred taxes (receivable)		492	291
Total fixed assets		162,160	153,437
Total assets		292,606	265,953
Trade accounts payable		20,726	14,074
Liabilities arising from short-term financing	5	6,970	17,697
Other short-term liabilities		5,943	8,107
Accrued expenses	6	19,525	13,833
Total short-term liabilities		53,164	53,711
Long-term interest-bearing liabilities	5	101,689	75,111
Long-term non interest-bearing liabilities		1,033	1,030
Long-term provisions		1,256	1,260
Deferred taxes (payable)		14,499	14,254
Total long-term liabilities		118,477	91,655
Total liabilities		171,641	145,366
Share capital		7,300	7,300
Capital reserves		57,324	57,324
Treasury stock		-82	-82
Miscellaneous		-1,389	-3,767
Retained earnings		57,812	59,812
Total shareholders' equity		120,965	120,587
Total liabilities and shareholders' equity		292,606	265,953

CONSOLIDATED INCOME STATEMENT

CHF 1000	Notes	1 st half of 2005	1 st half of 2004
Net turnover		127,608	112,119
Total income	7	131,881	123,644
Cost of materials and services		-47,003	-40,944
Personnel expenses		-50,024	-46,320
Other operating expenses		-18,689	-16,936
Operating expenses		-115,716	-104,200
Operating earnings before depreciation (EBITDA)	7	16,165	19,444
Depreciation	8	-11,609	-9,805
Operating earnings (EBIT)	7	4,556	9,639
Net financial income	9	-521	-1,510
Net profit before taxes		4,035	8,129
Taxes		-925	-2,653
Net profit after taxes		3,110	5,476
Earnings per share			
Non-diluted earnings per share		8.52	15.62
Diluted earnings per share		8.52	15.62

CONSOLIDATED CASH FLOW STATEMENT

CHF 1000	Notes	1 st half of 2005	1 st half of 2004
Net profit after taxes		3,110	5,476
Depreciation on tangible fixed assets	8	11,466	8,886
Depreciation on financial assets and intangible assets	8	143	919
Increase- (+)/decrease (-) in long-term provisions		-76	-487
Increase- (+)/decrease (-) in provision for deferred taxes		-58	1,651
Gain (-)/loss (+) from sales of tangible fixed assets		-91	-272
Other non-cash income/expenses		41	-712
Increase- (-)/decrease (+) in receivables		-957	-9,201
Increase- (-)/decrease (+) in inventories		-2,078	-5,855
Increase- (-)/decrease (+) in prepaid expenses and accrued income		-5,559	-2,735
Increase- (-)/decrease (-) in short-term liabilities		9,262	6,106
Cash provided by operating activities		15,203	3,776
Capital expenditure		-8,387	-6,243
Income from sales of tangible fixed assets		209	598
Increase- (-)/decrease (+) in financial assets	4	-1,267	266
Increase- (-)/decrease (+) in intangible assets		0	0
Change in the scope of consolidation	2	-5,444	507
Other non-cash income/expenses		-1	0
Cash used for investing activities		-14,890	-4,872
Free cash flow		313	-1,096
Dividends paid	11	-5,110	-4,900
Capital paid in (repaid)		0	-194
Purchase (-)/sale (+) of treasury stock		0	97
Increase/decrease in short-/long-term debt		11,381	1,601
Cash provided by financing activities		6,271	-3,396
Translation adjustments		571	-86
Change in liquid assets		7,155	-4,578
Liquid assets on June 30		16,044	7,308
Liquid assets on January 1		8,889	11,886
Change in liquid assets		7,155	-4,578

CHANGES IN EQUITY

1 st half of 2004 1000 CHF	Share capital	Capital reserves	Treasury stock	Miscellaneous	Retained earnings	Total share- holders' equity
At January 1, 2004	7,000	49,568	-170	-3,301	50,111	103,208
Dividends					-4,900	-4,900
Purchase/sale of treasury stock			97		-97	0
Miscellaneous					1,526	1,526
Change	300	7,756				8,056
Translation difference				-59		-59
Net profit for the year					5,476	5,476
At June 30, 2004	7,300	57,324	-73	-3,360	52,116	113,307
1 st half of 2005 1000 CHF	Share capital	Capital reserves	Treasury stock	Miscellaneous	Retained earnings	Total share- holders' equity
At January 1, 2005	7,300	57,324	-82	-3,767	59,812	120,587
Dividends					-5,110	-5,110
Purchase/sale of treasury stock						0
Miscellaneous						0
Change						0
Translation difference				2,378		2,378
Net profit for the year					3,110	3,110
At June 30, 2005	7,300	57,324	-82	-1,389	57,812	120,965

EXPLANATORY NOTES

1. SEASONAL INFLUENCES

The Adval Tech Group operates in various industrial sectors and markets. Seasonal influences in the individual industrial sectors and markets on the financial statements largely cancel each other out.

2. SCOPE OF CONSOLIDATION

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

The two companies Styner+Bienz FormTech Ltd. and Lanz Industrietechnik AG merged in June 2005 with retrospective effect as of January 1, 2005. The merger has no material impact on the consolidated financial statements in the current year.

At the beginning of June 2005 Adval Tech Holding Ltd. acquired the entire share capital of Teuscher Kunststoff-Technik AG in Grenchen. This company is mainly engaged in the manufacture of dies for plastic injection molding and of corresponding components in volume for applications in medical technology. It has been included in the consolidated financial statements as of June 1, 2005, and will be integrated in the Injection Molding Division.

The cost of this acquisition amounted to CHF 5.6 million, consisting of the purchase price of CHF 5.5 million in cash and CHF 0.1 million for external consulting and support during negotiations culminating in the conclusion of the relevant agreement.

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

CHF 1000	IFRS book values before consolidation	as stated in	the consolidated balance sheet
Current assets	1,627		1,627
Tangible fixed assets	6,505		7,163
Financial assets	0		0
Intangible assets	0		245
Deferred tax credits	15		0
Short-term liabilities	-961		-961
Long-term interest-bearing liabilities	-4,282		-4,282
Deferred tax liability	0		-192
Acquired net assets	2,904		3,600
Purchase price and costs for acquisitions			-5,587
Goodwill			1,987

The value of customer relationships existing on acquisition date was capitalized at CHF 0.2 million. There were no other intangible assets (such as patents, trade marks, licenses, not personally related product or market know-how) for which a market value could be directly allocated and stated. The goodwill stated in the consolidated balance sheet therefore amounts to CHF 2.0 million.

The calculation of the cost of acquisition also took the following factors into account: obtaining access to a new market, acquiring existing customer relationships, specific market know-how and experience in the requirements for volume components in the medical technology market.

The influence of the new subsidiary on the Adval Tech Group's financial position and results in the first half of 2005 was marginal. The subsidiary's profits since its initial consolidation amounted to CHF 5,000. If the company had been acquired as of January 1, 2005, the group's total income and net profit would have been CHF 2.6 million and some CHF 0.1 million higher, respectively.

3. PREPAID EXPENSES AND ACCRUED INCOME

The increase in prepaid expenses and accrued income was due primarily to the prepayment of insurance premiums and income tax credits.

4. FINANCIAL ASSETS

The increase in financial assets was due to the increase in receivables from financial leasing transactions.

5. FINANCIAL LIABILITIES

The transfer of short-term to long-term financial liabilities was due primarily to the syndicated loan agreement concluded in June 2005, and the increase in net financial liabilities to the acquisition of Teuscher Kunststoff-Technik AG.

6. ACCRUED EXPENSES

The increase in accrued expenses compared with the 2004 annual financial statements is due primarily to accruals for overtime, holiday and bonus entitlements as well as higher liabilities due to invoices not yet received for purchases of materials and services.

7. SEGMENTAL RESULTS

CHF 1000	Stamping and Forming Division		Injection Molding Division	
	1 st half of 2005	1 st half of 2004	1 st half of 2005	1 st half of 2004
Total income	66,849	51,032	65,108	73,409
Operating earnings before depreciation (EBITDA)	7,327	4'088	8,591	14,842
Operating earnings (EBIT)	886	-510	3,505	9,757
Capital expenditure	2,262	1,488	5,968	4,645
Employees	548	481	549	523

8. DEPRECIATION

The increase of CHF 1.8 million compared with the first half of 2004 was due primarily to depreciation on systems and molds rented to customers. In the previous year this item included goodwill amortization of CHF 0.9 million arising from the acquisition of Lanz Industrietechnik AG.

9. NET FINANCIAL INCOME

The reduction in net financial expenses compared with the previous year was due primarily to favorable exchange rate trends.

10. TAXES AND INTEREST ACTUALLY PAID

Taxes actually paid in the period under review amounted to CHF 1.2 million (CHF 0.8 million in the first half of 2004). CHF 1.0 million interest was paid on borrowings (CHF 0.9 million).

11. CHANGES IN SHAREHOLDERS' EQUITY

The annual general meeting held on June 16, 2005, approved the payment of a dividend of CHF 14 per share on June 21, 2005 (2004: CHF 14 per share).

12. CONTINGENT LIABILITIES

A customer has filed a claim for damages of CHF 0.8 million against a group company in the Injection Molding Division. Management regards this claim's prospects of success as very small, and no provision has therefore been made for it. The contingent liabilities of CHF 0.5 million disclosed in the 2004 annual financial statements have therefore been increased to CHF 1.3 million as of June 30, 2005.

IMPACT OF THE CHANGE FROM SWISS GAAP FER TO IFRS

The change in the presentation of accounts from Swiss GAAP FER to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) has the following impact on figures for the first half of 2004:

CONSOLIDATED INCOME STATEMENT

CHF 1000	1 st half of 2004 Swiss GAAP FER	Change	IFRS
Net turnover	112,415	-296	112,119
Total income	123,505	139	123,644
Cost of materials and services	-40,944	0	-40,944
Personnel expenses	-46,320	0	-46,320
Other operating expenses	-16,929	-7	-16,936
Operating expenses	-104,193	-7	-104,200
Operating earnings before depreciation (EBITDA)	19,312	132	19,444
Depreciation	-9,223	-582	-9,805
Operating earnings (EBIT)	10,089	-450	9,639
Net financial income	-1,514	4	-1,510
Non-operating income	385	-385	0
Net profit before taxes	8,960	-831	8,129
Taxes	-2,688	35	-2,653
Net profit after taxes	6,272	-796	5,476

Net turnover and total income

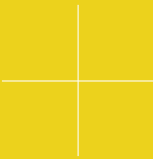
Tools paid for by customers with amortization payments on the basis of fixed agreements are now stated in the balance sheet as financial leasing transactions. The relevant payments are therefore deducted directly from leasing receivables and no longer appear in turnover (- CHF 0.3 million). Together with the reclassification of non-operating income (FER) as other income (+ CHF 0.4 million), this results in a difference of CHF 0.1 million in total income.

Other operating expenses

The reclassification of capital taxes and non-operating expenses (FER) as operating expenses, together with the effects of changes in the balance sheet treatment of spare parts for tools, result in slightly higher expenses on balance.

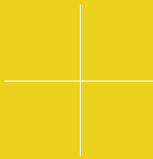


Depreciation



The following changes affect the depreciation figure: The exclusion from the balance sheet of the cost of incorporating a group company and the balance sheet treatment of tools with an amortization agreement as financial leasing transactions reduce depreciation by CHF 0.4 million. The inclusion of spare parts packages for systems and tools as tangible fixed assets and the reclassification of tools rented to customers as tangible fixed assets increase depreciation by CHF 0.1 million. In connection with the acquisition of Lanz Industrietechnik AG, goodwill of CHF 0.9 million arose from Adval-Tech share price movements between signing and closing the transaction. This goodwill did not pass an impairment test on the basis of existing business plans and was written off. The relevant amount was charged directly to shareholders' equity in 2004 in conformity with Swiss GAAP FER.

Net financial income



The higher interest income arising from interest charges on financial leasing receivables for tools with amortization agreements and the unrealized currency translation differences arising from intra-group loans not made in the book currency of the lender or the borrower and taken into account in the income statement, virtually cancel each other out.

SHAREHOLDERS' EQUITY

CHF 1000	Share capital	Capital reserves	Revaluation reserves	Reserve for treasury stock	Translation difference	Retained earnings	Total shareholders' equity
At December 31, 2003 (FER)	7,000	49,568	1,486	170	-6,240	57,263	109'247
Changes in method							
- tool spare parts / spare parts & material						-6,814	-6,814
- provisions for pension funds & benefits paid to personnel						-1,270	-1,270
- calculation of warranty provisions						-280	-280
- adjustment of asset accounting						-227	-227
- accounting for incorporation costs						-328	-328
- write-off of treasury stock				-340		170	-170
- adjustment of translation differences					2,939	-2,939	0
- miscellaneous						19	19
Change in estimates							
- calculation of deferred taxes						3,031	3,031
Reclassification							
- revaluation reserves			-1,486			1,486	0
At January 1, 2004 (IFRS)	7,000	49,568	0	-170	-3,301	50,111	103,208

The adjustment of accounting methods due to the change in presentation from Swiss GAAP FER to IFRS has the following effects:

Tool spare parts / spare parts & material

The majority of this item results from the change in accounting for spare parts for systems and tools. The value of the package of spare parts purchased with the system is now capitalized as a tangible fixed asset and depreciated over its useful working life using the straight-line method; wearing and other spare parts are charged directly to the income statement.

Provisions for pension funds and benefits paid to personnel

Calculation of pension liabilities on the basis of IAS 19 results in a provisioning requirement of CHF 0.5 million. Calculation of other benefits paid to personnel, such as long-service gifts, results in a provisioning requirement of CHF 0.8 million.

Warranty provisions

Provisions required for warranty claims arising from deliveries of volume components have been calculated using a new method which results in slightly higher provisioning requirements.



Asset accounting

The adjustment of asset accounting in the context of the change results in a CHF 0.2 million reduction in asset values.

Costs of incorporation

The costs of incorporating a group company, which cannot be included in the balance sheet under IFRS, have been taken off the accounts.



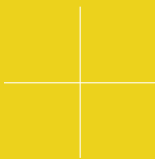
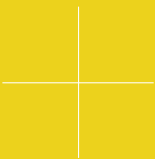
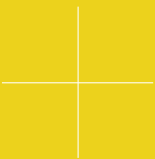
Treasury stock

Treasury stock, which cannot be included in the balance sheet under IFRS, has been taken off the accounts.

Translation differences

The accumulated translation differences on intra-group loans not granted in the book currency of the lender or the borrower have been reclassified. In future these translation differences will be taken to the income statement.

Deferred taxes



The tax rates applied to the calculation of deferred taxes have been updated in the context of the change in the presentation of accounts. The effect of the revaluations referred to above has also been taken into account.

The transition of shareholders' equity from Swiss GAAP FER to IFRS at June 30, 2004, is set out below as a supplement to the semi-annual report printed and published at the end of August.

The impact on consolidated shareholders' equity is as follows:

CHF 1000	Share capital	Capital reserves	Revaluation reserves	Reserve for treasury stock	Translation differences	Retained earnings	Total shareholders' equity
At June 30, 2004 (FER)	7,300	57,324	1,486	-73	-6,469	58,097	117,665
Change of methods							
– Mold spares / Spares and material						-6,932	-6,932
– Provisions for pension funds and payments to employees						-1,270	-1,270
– Calculation of warranty provisions						-286	-286
– Adjustment of asset account						-257	-257
– Statement of costs of incorporation						-172	-172
– Elimination of treasury stock				0		0	0
– Adjustment of translation differences					3,109	-2,993	116
– Effect of acquisition of Lanz Industrietechnik AG						1,390	1,390
– Miscellaneous						43	43
Change in estimates							
– Calculation of deferred taxes						3,010	3,010
Reclassification							
– Revaluation reserves			-1,486			1,486	0
At June 30, 2004 (IFRS)	7,300	57,324	0	-73	-3,360	52,116	113,307

Mold spares/Spares and material:

This item is the result of the change in the statement of mold spares in the balance sheet as described above. The changes since the beginning of the year are the result of business activities.

Provisions for pension funds and payments to employees:

Calculation of pension liabilities on the basis of IAS 19 results in a provisioning requirement of CHF 0.5 million. Calculation of other payments such as long-service awards to personnel results in a provisioning requirement of CHF 0.8 million. There were no changes in the first six months.

Warranty provisions:

The provisioning requirement for warranty claims arising from volume deliveries has been ascertained on the basis of a new method of calculation, as described above, which results in a slightly higher provisioning requirement. The changes since the beginning of the year are the result of business activities.

Asset account:

The adjustment of the asset account in the context of the change results in a CHF 0.2 million reduction in asset values. The changes since the beginning of the year are the result of business activities.

Costs of incorporation:

The costs of incorporating a group company which cannot be included in the balance sheet according to IFRS have been eliminated. The changes since the beginning of the year are the result of business activities.

Deferred taxes:

The tax rates applied to calculate deferred taxes have been updated in the context of the change in accounting principles, as described above. The impact of revaluations referred to above has also been taken into account.

Treasury stock:

Due to the implementation of the changes in reporting regulations in conformity with Swiss GAAP FER, this change is inapplicable.

Translation differences:

The accumulated translation differences on loans within the group which are not granted in the book currency of the lender or the borrower have been reclassified. These translation differences will be taken to income in future. The changes since the beginning of the year resulted mainly from translation differences on a loan granted within the group by the parent company in a third currency, which have been taken to income.

Effect of the acquisition of Lanz Industrietechnik AG

In terms of Swiss GAAP FER, the goodwill arising in the context of this acquisition has been charged directly to shareholders' equity. In terms of the new standard, the purchase price has been calculated and allocated in conformity with IFRS 3. The remaining goodwill, deemed as being of no value, has been charged to income.

The rise in the market price of shares of Adval Tech Holding Ltd between the conclusion of negotiations and closing the transaction resulted in an increase in the purchase price applicable to this transaction. A review of the value of the goodwill on the date of acquisition has shown that the goodwill is of no value and must be written off.

This review was based on the business plan approved by the Board of Directors for the current year and the coming three years. Planning assumes long-term growth of 0.5% p.a. and a discount rate of 8%.

**IMPACT OF THE CHANGES ON THE INCOME STATEMENT
FOR THE 2004 FINANCIAL YEAR AS A WHOLE**

Changing the presentation of the income statement for 2004 from Swiss GAAP FER to IFRS had the following effects:

CHF 1000	2004 Swiss GAAP FER	Change	2004 IFRS
Net turnover	246,293	4,061	250,354
Total income	260,716	2,137	262,853
Operating expenses	-220,880	665	-220,215
Operating earnings before depreciation (EBITDA)	39,836	2,802	42,638
Depreciation and provisions	-18,983	-3,444	-22,427
Operating earnings (EBIT)	20,853	-642	20,211
Net financial income	-2,689	-35	-2,724
Extraordinary and non-operating income	625	-625	0
Net profit before income taxes	18,789	-1,302	17,487
Net profit after taxes	15,597	-2,297	13,300

Net turnover and total income:

Molds which customers pay for via amortization payments on the basis of firm agreements are now included in the balance sheet as finance leases. The relevant payments are therefore deducted directly from the leasing receivables and no longer appear in turnover (CHF -0.6 million). Together with the reclassification of extraordinary and non-operating income (FER) to other income (CHF +0.9 million) and the inclusion of molds and equipment leased to customers (CHF +1.8 million), this results in a difference of CHF 2.1 million in total income.

Compared to the 2004 income statement published in the 2005 semi-annual report, CHF 4.6 million has been reclassified from "Change in inventories of semi-finished and finished goods" to "Net turnover". This figure corresponds to the change in inventories of manufacturing orders reported in 2004 which were calculated using the percentage-of-completion method.

Operating expenses:

The following effects reduce operating expenses by a total of CHF 0.7 million. Including leased molds and equipment as tangible fixed assets reduces the decline in inventories of semi-finished and finished goods by CHF 1.2 million. The change in accounting practice for mold spares reduces operating expenses by a further CHF 0.1 million. Operating expenses are increased by the reclassification of capital taxes and extraordinary expenses (CHF +0.4 million) and the new method of calculating warranty provisions for volume components (CHF +0.2 million).

Net financial income:

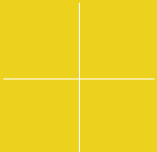
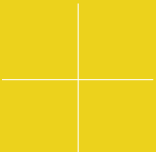
The translation differences arising from loans within the group which have not been granted in the book currency of one of the parties, offset against interest income from finance lease receivables, result in slightly higher net financial income.

Tax expenses:

The tax rates applied for calculating deferred taxes have been updated in the context of the change in accounting practice from Swiss GAAP FER to IFRS. While this adjustment has been taken into account for IFRS in shareholders' equity at January 1, 2004, the effect of this change in assessment under Swiss GAAP FER reduced tax expenses by CHF 1.0 million.



**BACKGROUND INFORMATION ON
THE ADVAL TECH GROUP**



The Adval Tech Group is a leading supplier of tools, subassemblies, systems and volume components in the technology sectors of stamping and forming (metals) and injection molding (plastics). It is a supplier and value-adding partner for companies in all industries where metal or plastics components are manufactured and used. The Stamping and Forming Division trades on the market under the name of Styner+Bienz, the Injection Molding Division under the names of AWM, Fobooha and Teuscher. Their largest customers are in the automotive, information and communications technology, in the medical technology sector and in the packaging and electronics industries.



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