

SWISSMETAL

Precision in Copper

Annual Report 2005

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Five-year summary of key figures

Consolidated Group (CHF million)	2005 ³⁾	2004 ³⁾	2003 ³⁾	2002	2001
Gross sales	198.3	204.8	170.6	229.2	300.7
Net sales	190.4	195.1	162.5	216.5	286.3
Gross added value sales (plants)*	103.5	117.7 ⁴⁾	103.5	134.7	170.0
Gross margin**	109.2	118.4	100.8	124.6	160.2
Operating income before depreciation (EBITDA)	16.0	20.2	12.4	2.5 ¹⁾	25.2
Operating income (EBIT)	3.4	8.4	1.0	-27.6 ¹⁾	9.4
Result for the year (EAT)	3.3	17.7	-6.9	-55.5 ¹⁾	1.5
Total assets	162.8	162.1	144.9	145.8 ²⁾	226.4
Current assets	94.8	99.1	80.7	73.8 ²⁾	110.6
Fixed assets	68.0	63.0	64.2	72.0 ²⁾	115.8
Short-term liabilities	22.9	27.7	73.7	66.0 ²⁾	58.3
Long-term liabilities	16.5	15.9	18.5	20.3 ²⁾	52.9
Shareholders' equity***	123.4	118.5	52.6	59.4 ²⁾	115.0
Cash flow from operating activities	21.1	-4.6	11.2	18.1	21.9
Capital expenditures	15.5	11.2	9.4	9.0	17.2
Headcount (annual average in full-time equivalents)	768	807	755	1,118	1,224

* Gross added value sales: Gross sales less metal at standard metal costs

** Gross margin: Net sales less cost of materials and changes in inventory

*** including minorities since 2004

¹⁾ After extraordinary items for restructuring

²⁾ Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen, have been deconsolidated

³⁾ Excluding Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen

⁴⁾ Due to the change in the definition of gross added value sales in 2005, the value of 2004 was adjusted from CHF 114.0 million to CHF 117.7 million. The values from previous years have been retained.

Dear customers, employees, shareholders and other business associates,

Operationally, 2005 was a year of mixed results, starting with a severe price war in the more competitive standard copper semi-finished goods segments and a nearly complete collapse of demand, predicated by the political situation in Asia, in the key power generation industry. Only as the year drew to a close did the situation calm down somewhat. Despite these enormous challenges along with significantly lower sales in some of these areas we succeeded in keeping earnings on an even keel. Without the deep restructuring measures of recent years, this would most likely not have been possible. We were able to carry out our investment program without restriction in 2005, especially the start of the construction of a versatile new extrusion press for our Swiss plant. Thus, we believe 2005 marked a further milestone in the restructuring of Swissmetal.

On the positive side, it is noteworthy that after two years of financial and operational restructuring of a Swissmetal under existential threat, in 2005 we finally regained the capacity to look to the future and define a strategy, including an industrial concept and a corresponding investment program for 2006 to 2010. This strategy comprises three major pillars in our efforts to achieve profitable and sustained growth: Operational Excellence in Europe, European Consolidation and an Asia Strategy.

By the time you read these lines, you will have witnessed the labor conflict at the Reconvilier location. This conflict will have both negative and positive ramifications for Swissmetal. An evil that has plagued Swissmetal since it was founded, the unrelenting internal struggle among the various locations that nearly brought down the entire corporation in 2004, was grasped by the root and, we believe, eliminated once and for all. There will be a price to pay for this confrontation, even if it ultimately results in the eradication of a long-festering problem. This price could have been much lower if certain local forces, above all politicians and the trade union Unia, had conducted themselves more prudently. We regret that it came to this confrontation, which far exceeded the bounds of a logical integration measure. Forces outside the enterprise interfered from all sides, taking positions detrimental to a successful future for Swissmetal. However, we are convinced that we have succeeded in making a clear break from a past marked by infighting and destructiveness rather than interdependence and cooperation. A great deal of trust was destroyed in the process which it will take time to restore. This is something we intend to work on.

In 2006, our new extrusion press will be completed in Dornach. Together with the repurchased production facility in Lüdenscheid, Germany, it will provide us with one of the most efficient hot working complexes in the entire copper components industry. We will have the ability to produce more efficiently while simultaneously implementing innovations that were previously impossible with our older, technically limited facilities. Chief among them is our new flagship product, top-quality tubes for the aircraft industry, combining new standards of value and intelligence in a single product. Our new extrusion press will be capable of mass-producing this product, representing a further great step forward in our efforts to produce the best-of-breed copper component specialty products as the recognized best company of its class in the industry. We have already overcome many obstacles on this path. With an effective and unified team we will master the challenges that still await us in the same way – with resolve and ultimately with success.

We thank you all, our employees, customers, shareholders, other stakeholders, along with the farsighted political leaders and associations who have supported us during the restructuring of Swissmetal, for your valuable support. What matters in the end is success, to which we are committed. We are wholly dedicated to the future of Swissmetal.

Sincerely yours,

J. Friedrich Sauerländer
Chairman of the Board
of Directors

Martin Hellweg
CEO and Member of
the Board of Directors

In connection with the updated business plan, the Board of Directors and Group Management have adopted the following strategy outline. It comprises our vision for 2010 along with certain elements in support of this vision.

Vision 2010 and business strategy

Swissmetal has a clear Vision 2010 built on three pillars, which it is pursuing through profitable and sustainable growth:

Operational Excellence in Europe

Operational Excellence involves the fundamental repositioning of the corporation. This will encompass both a new commercial strategy with clear market segmentation and the implementation of a new industrial concept involving trans-regional competence centers and utilizing synergies among the three production sites in Europe. Through its objective of reducing fixed costs, Swissmetal is preparing for potential international alliances, for the establishment of an overseas production site and for improving distribution.

European Consolidation

The European copper components market is currently in a consolidation phase. Many of Swissmetal's competitors are on the lookout for strategic partners. Swissmetal will undertake to play a leading role in the process and is seeking options for forming a major international group in the specialty products area. Swissmetal has already acquired Busch-Jaeger Metallwerk GmbH in Lüdenscheid, Germany. The Swissmetal Group thus possesses three production sites including two hot forming centers. Further expansion opportunities will be considered as they present themselves.

Asia Strategy

Asia is a huge and rapidly growing market for Swissmetal products. Swissmetal already exports a considerable portion of its output to Asia, primarily to China and India. Exporting from Switzerland to Asia is not a sustainable business model for the long term. An increasing volume of industrial production is being shifted to Asia, and customers prefer local suppliers. To maintain longstanding customer relationships, we will have no alternative but to follow them to Asia with a production site. This step will open up an opportunity for Swissmetal to produce at lower cost and take advantage of major growth potential. At present, establishing a finishing center for ball-point pen tips in India is within Swissmetal's reach.

The three pillars in combination will make Swissmetal an enterprise focused on specialty products. Five or more production sites are planned, including at least one in Asia.

Supporting elements

In addition to the three pillars of the strategy mentioned above – Operational Excellence in Europe, European Consolidation and the Asia Strategy – the following elements remain at the top of Swissmetal's list of priorities:

Specialty orientation Higher value-added products, potential for clear differentiation from the competition and potential for enhanced customer loyalty create opportunities for higher margins. Sales and production assign a higher priority to these products.

Innovation Innovation is needed to capture new specialty product segments. It is here too that Swissmetal would like to be a part of the top league.

Know-how development Research, development of know-how, sharing and on-the-job learning are all a part of Swissmetal's culture – a proven recipe for success that will continue to bear fruit in the future.

Customer relationship management A core element of the strategy is fulfilling or exceeding customer wishes with regard to delivery, advising and services. Customer-tailored development and cooperative solving of customer problems also remain central components.

Networking and forward integration Swissmetal maintains an industry-wide network comprising not only of customers, but also of companies downstream in the value chain. This positions Swissmetal as an integrated solution provider in the global high-tech market.

Flexibility Some markets where Swissmetal operates are subject to cyclical fluctuations of up to 20% within a period of 12 to 24 months. Swissmetal must therefore be capable of rapidly adjusting production capacity to changing circumstances.

Continuous improvement Continual improvement of production processes will lead to shorter delivery times, smaller inventories of raw materials and semi-finished goods, ongoing product quality enhancements, quicker responses to inquiries and other operating advances.

Swissmetal strives to keep its products at the cutting edge of technology, investing substantial time and funds in new alloys and processes. We will briefly introduce a few products here that have recently come to fruition.

CN8

High performance alloy CN8 is produced using a special casting technique known as the Osprey process, to which Swissmetal holds the patent. This material offers a unique combination of very high mechanical strength, very high hardness and optimum friction characteristics under heavy stress together with high corrosion resistance. Consequently, the material is used in products for which this combination of properties is desired. Some of these are found in the aerospace industry and oil drilling platforms, two areas in which materials with extraordinary characteristics are constantly sought. Swissmetal develops large-dimensional bars and tubes of this alloy that are used in landing gear and drill heads.

NNS

Over 80% of all ballpoint pen tips are made of copper alloys such as brass or nickel silver. Used with conventional inks, the performance characteristics of these alloys are altogether satisfactory, whether in terms of durability or writing comfort. However, the new water-based inks can cause corrosion problems that impair the writing performance of these pen tips. Swissmetal has successfully applied its metallurgical experience to develop a new exclusive, unique and patented alloy. This new alloy offers the same writing characteristics and functional reliability as nickel silver, but is also resistant to corrosion from the new inks.

NP6

Considerable metallurgical development effort recently enabled Swissmetal to present an entirely new copper alloy to the machining market. The new alloy features very high mechanical strength combined with easy machinability on automatic lathes. Until now, only one other alloy offered a comparable combination of properties. Swissmetal has never produced this other alloy as it is highly toxic and users wished to switch to a new alternative. Swissmetal's new, unique and patented alloy offers not only excellent durability and good machinability, but also environmentally friendly machining since chips are readily recycled without any special protective measures. Turning shops and manufacturers of high-grade connectors are currently testing this alloy with success and enthusiasm.

Architectural moldings

Architectural moldings are a typical example of Swissmetal's unique know-how in the development and manufacture of complex geometrical shapes. These extruded copper-alloy building components can be used in place of aluminum. Such special architectural bronzes enable architects to design façade elements with new and original aesthetic possibilities for exceptionally elegant structures. The range of possible shapes is practically unlimited, providing architects with complete freedom in designing his or her project.

The Board of Directors and Group Management have launched a new bonus program under the name North Star. Members of the General Management, Group Management and senior staff are eligible.

In addition to the fixed salary specified in their contracts, these individuals receive a variable compensation component. The amount paid depends on the change in value added between past and current financial years and on the Group budget and business plan. Value added refers to the added value that is generated by the enterprise in the course of one year. The entire amount is not necessarily disbursed – the portion retained is deposited in a bonus account. Thus, the bonus program is based on the change in the value added figure, not the absolute figure itself. Moreover, it focuses on the long term, not the short term, in order to ensure that the effort is rewarded throughout. This is a great advantage in comparison with other programs. The program also honors long-term employment: the full balance of the bonus account is paid only when the individual leaves the company on retirement.

This bonus program plays an important part in the implementation of the corporate strategy.

Consolidated income statement

Gross sales and gross added value sales

Swissmetal achieved gross sales of CHF 198.3 million in the difficult environment of the financial year 2005, a figure 3% below the previous year's.

Since metal prices again rose substantially in 2005, the decline in gross sales was less than in the gross added value sales. Gross added value sales, that is sales less metal at standard metal costs, declined by 12% from 2004 to CHF 103.5 million.* The correction down to the lower demand level hit the most intensely competitive standard products sector especially hard. Among specialty products, performance was especially good in the connectors segment. The other main segments such as writing implements and electric power also performed well.

* The definition of gross added value sales at the two plants was harmonized during the software migration in the second half of 2004. Since the previous year's values were adjusted post facto by estimation, 2004 gross added value sales' figures are not precisely comparable with those for 2005.

Operating income (EBIT)

The gross margin was 8% below the previous year's at CHF 109.2 million. The figure was CHF 5.7 million greater than gross added value sales thanks in part to favorable developments on metal procurement markets and higher labor values in the finished goods.

Personnel expenses for all of 2005 came to CHF 65.6 million, CHF 4.0 million less compared to the previous year. The average headcount of 768 fulltime equivalents was 5% below the prior year's figure. Due to declining demand in the first quarter, temporary staffing especially was adjusted downward, although there was a certain delay before this could be accomplished. In addition to price pressure on standard products, this was why the ratio of personnel expenses to gross margin worsened from 59% in 2004 to 60% in 2005.

Despite the lower production volume, operating and administrative expenses remained nearly unchanged at CHF 28.9 million. High energy costs and increasing maintenance costs were the main reason why normally output-dependent costs did not decline proportionally.

EBITDA in the year under review came to CHF 16.0 million while operating income after depreciation (EBIT) amounted to CHF 3.4 million. Both figures were well below the previous year's figure.

Earnings after taxes (EAT)

Financial result for 2005 was CHF 1.0 million, an improvement of CHF 4.6 million over the prior year. This positive change was due to lower financial expenses after refinancing and the associated equity increase in the summer of 2004 as well as due to exchange rate gains.

Additionally, the refinancing expenses of CHF 1.4 million still necessary in 2004 did not recur in 2005.

The positive one-time effects of CHF 12.9 million in 2004, mostly associated with refinancing, were succeeded in 2005 by an extraordinary result of CHF -0.1 million.

Therefore, the difference to 2004 of non-operating result was significantly higher than that of operating income. Earnings after taxes came to CHF 3.3 million in 2005 compared to CHF 17.7 in the previous year.

Consolidated Balance Sheet

The balance sheet total at 31 December 2005 came to CHF 162.8 million, practically unchanged in the aggregate against the end of 2004.

On the asset side, cash and cash equivalents increased by CHF 4.4 million to CHF 13.7 million. Total receivables showed the greatest decline, by CHF 6.0 million. Stock, conversely, declined by only CHF 1.8 million in value despite a 15% reduction in volume due to a significant rise in metal prices. Property, plant and equipment rose by CHF 2.8 million to CHF 65.7 million as facilities under construction increased significantly. This includes the construction of the new extrusion press, valued here at CHF 4.8 million. The "Assets from employer contribution reserves" account includes a new CHF 2.2 million that is also reflected in increased shareholders' equity.

The liabilities and equity side underwent significant changes, too. Short-term liabilities fell by CHF 4.9 million to CHF 22.9 million during the year under review. Shareholders' equity grew by CHF 5.0 million to CHF 123.4 million. The equity ratio at 31 December was 76%. Due mainly to the increase in cash and cash equivalents, the net cash position on 31 December 2005 was CHF 2.4 million, compared to net debt of CHF 4.4 million on 31 December of the prior year.

Consolidated Cash Flow Statement

Cash flow from operating activities to the end of 2005 came to CHF 21.1 million, an increase of CHF 25.7 million compared to 2004. Despite weaker results for the year, a significant improvement was achieved in reducing net current assets by a total of CHF 5.7 million, as compared to 2004 where additional funds in the amount of CHF 12.3 million (before extraordinary effects) were tied up. 2005 also saw a net change of the previous provisions of only CHF 0.9 million, compared to a net change of CHF 11.8 million from previously provisioned refinancing and restructuring expenses in 2004.

Swissmetal Group had expenditures of CHF 15.5 million for equipment and machinery including the new extrusion press in 2005, CHF 4.2 million more than in 2004. In contrast to the year under review, real estate disposals brought in cash inflows of CHF 1.6 million in 2004.

The result was a free cash flow of CHF 5.6 million, an improvement of CHF 19.9 million over the prior year.

Outlook and further information

The economy has improved noticeably since the onset of 2006. The illegal strike at the Reconvilier site at the beginning of 2006 made it impossible to take full advantage of this potential; this will have a negative effect on earnings for the current year. All of the effects of the strike and of the acquisition of Busch-Jaeger Metallwerk GmbH, Lüdenscheid, will first be reflected in the financial figures for 2006.

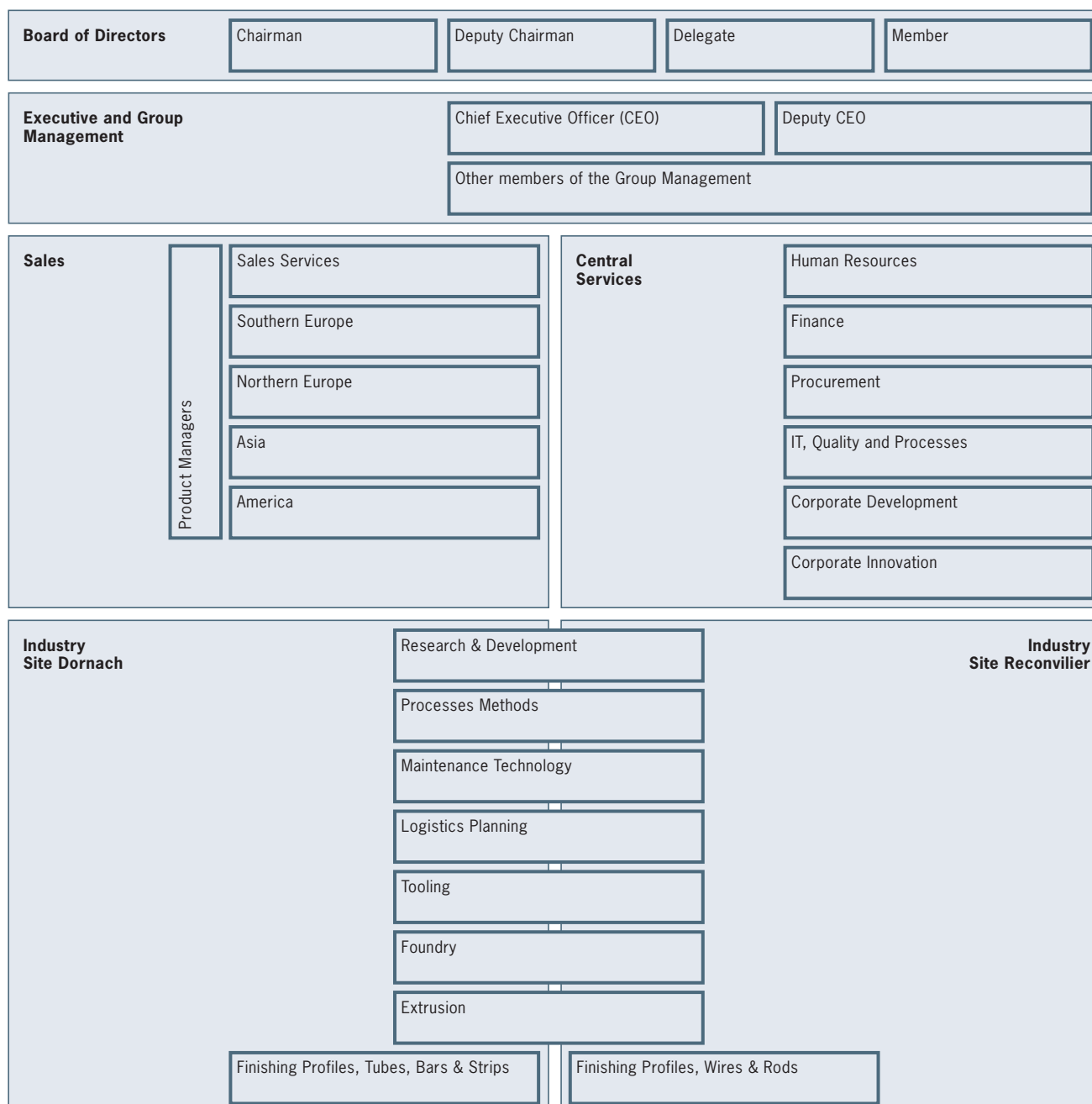
As an exchange-listed company, UMS Swiss Metalworks Holding Ltd, Berne, is subject to the SWX Swiss Exchange Directive on Information Relating to Corporate Governance along with its Annex and comments (also known as the SWX Directive).

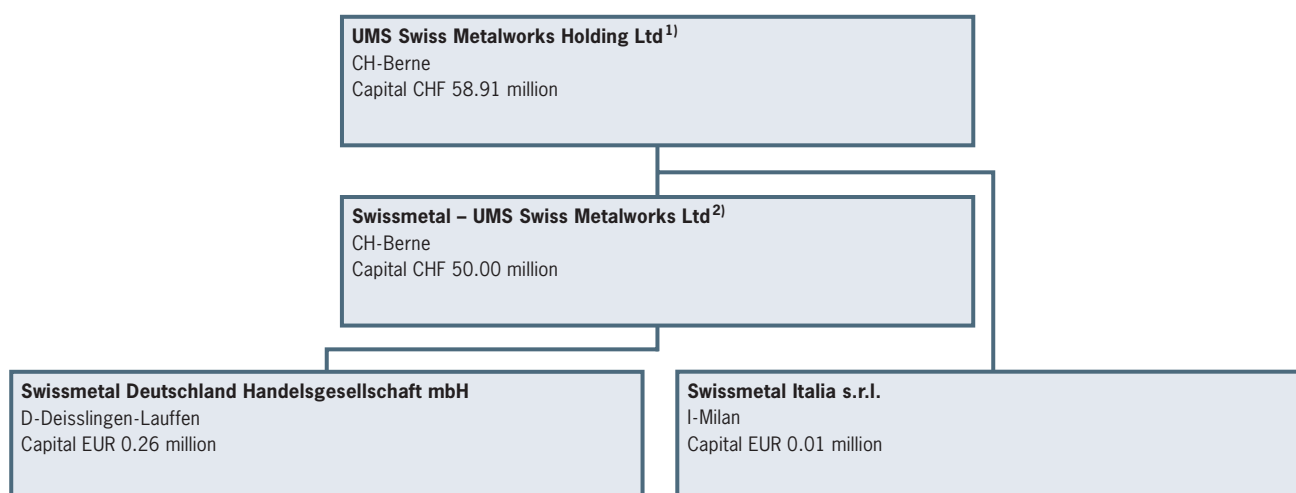
The Corporate Governance portion of the Annual Report precisely follows the structure of the SWX Directive and addresses events up to and including 29 March 2006.

1. Group structure and shareholders

1.1 Group structure

Operating Group structure



Legal corporate structure of UMS Swiss Metalworks Holding Ltd

¹⁾ 100% of Swissmetal – UMS Swiss Metalworks Ltd, 80% of Swissmetal Italia s.r.l., Milan

²⁾ 100% of Swissmetal Deutschland Handelsgesellschaft mbH

UMS Swiss Metalworks Holding Ltd, Berne, is listed on the SWX Swiss Exchange (security no. 257 226) and is subject to Swiss law. The scope of consolidation comprises no listed companies, only the unlisted companies specified above.

Changes in the scope of consolidation since 31 December 2005

Swissmetal – UMS Swiss Metalworks Ltd acquired 100% of the registered capital of Busch-Jaeger Metallwerk GmbH of Lüdenscheid, Germany. This unlisted company with registered capital of EUR 1.53 million as at 31 December 2005 is fully consolidated from February 2006.

1.2 Significant shareholders

The following shareholders held more than 5 percent of the capital of UMS Swiss Metalworks Holding Ltd as at the balance sheet date of 31 December 2005:

	31.12.2005	31.12.2004
3V Asset Management AG	> 5.0%	
European Renaissance Fund Ltd (Fund Manager: Arlington Capital Investors Ltd)		> 5.0%
Julius Baer Multistock SICAV (Fund Manager: Julius Baer Investment Funds Services Ltd)		> 5.0%
OZ Bankers AG	> 5.0%	> 5.0%

Events 31.12.2005 – 29.03.2006

Shareholder	Date	Shareholding
Swisscanto Fondsleitung AG	03.01.2006	6.42%
LB(Swiss) Investment AG	13.01.2006	5.12%
OZ Bankers AG	26.01.2006	< 5.0%
LB(Swiss) Investment AG	31.01.2006	< 5.0%
OZ Bankers AG	31.01.2006	5.31%
Laxey Partners Ltd	09.02.2006	10.80%
Adelphi Capital Ltd	10.02.2006	5.18%
OZ Bankers AG	17.02.2006	< 5.0%
OZ Bankers AG	03.03.2006	5.43%
OZ Bankers AG	13.03.2006	< 5.0%

1.3 Cross-shareholdings

There are no cross-shareholdings subject to disclosure requirements as the Swissmetal Group does not hold a 5% interest in terms of either capital or votes in any other company that itself holds a 5% interest in capital or votes in Swissmetal.

2. Capital structure

2.1 Capital

The Swissmetal Group's share capital as at 31 December 2005 was CHF 58,910,004 (previous year: CHF 58,910,004), distributed over 6,545,556 (previous year: 6,545,556) bearer shares.

2.2 Authorized and conditional capital

The exchange-listed UMS Swiss Metalworks Holding Ltd has neither authorized nor conditional capital.

2.3 Changes in capital

In 2003, the Swissmetal Group's share capital and reserve for own shares remained unchanged at CHF 85.0 million and CHF 2.3 million respectively. The net loss for the year of CHF -6.9 million led to an increase in the net unappropriated loss to CHF -34.7 million (previous year: CHF -27.8 million), and shareholders' equity including minority interests declined from CHF 59.5 million in 2002 to CHF 52.7 million in 2003.

In 2004, the Swissmetal Group was refinanced. At the end of 2002, the Swissmetal Group was unable to repay part of its debt on time. As a result, UMS Swiss Metalworks Holding Ltd, Berne, concluded a financing agreement ("moratorium agreement") in 2003 with a bank consortium that expired on 30 June 2004. In June 2004 UMS Swiss Metalworks Holding Ltd, Berne, proposed a comprehensive refinancing plan to its shareholders, which was approved by the General Meeting on 30 June 2004. The refinancing plan was duly implemented in July 2004. It included a capital decrease through a par value reduction in two tranches, from CHF 100.00 to CHF 9.00 per share, amounting to a total reduction in share capital of CHF 77.3 million. This was followed by recapitalization in two tranches through the issuance of new bearer shares. In all, 5,695,556 new shares were issued, representing a capital increase of CHF 51.3 million. This brought share capital down to CHF 58.9 million and reserves up to CHF 37.4 million. The positive net income of CHF 17.7 million for the year produced a net unappropriated profit of CHF 22.7 million (previous year: CHF -34.7 million), and shareholders' equity including minority interests rose from CHF 52.7 million in 2003 to CHF 118.4 million in 2004.

In 2005, the Swissmetal Group's share capital remained unchanged at CHF 58.9 million. The positive net income of CHF 3.3 million for the year and the inclusion of employer contribution reserves of CHF 1.7 million net of deferred taxes for the first time gave rise to an increase in net unappropriated profit to CHF 27.7 million (previous year: CHF 22.7 million). Share capital including minority interests rose from CHF 118.4 million in 2004 to CHF 123.4 million in 2005.

2.4 Shares

Each share is one bearer share carrying one vote. It conveys the right to a proportionate share of net profit and the residual proceeds of liquidation of the Company. The Swissmetal Group recognizes only one owner per share. The share is indivisible with respect to the company. The company has issued 6,545,556 shares with a nominal value of CHF 9.00; all shares are fully paid-up. By amending the Articles of Incorporation, the General Meeting may convert bearer shares to registered shares or create participation capital. UMS Swiss Metalworks Holding Ltd currently has no participation certificates.

2.5 Profit sharing certificates

Profit sharing certificates under the SWX Directive are a special form of non-voting securities that replace or complement shares. UMS Swiss Metalworks Holding Ltd has not issued any profit sharing certificates.

2.6 Limitations on transferability

Transferability of shares is not limited.

2.7 Options

The Swissmetal Group intends to implement a share option program in 2006. At present, the Company has no outstanding convertible bonds or options.

3. Board of Directors

3.1 Members of the Board of Directors

The current composition of the Board of Directors for both UMS Swiss Metalworks Holding Ltd, Berne, and Swissmetal – UMS Swiss Metalworks Ltd, Berne, is provided below. Unless otherwise noted, each Board member is subject to re-election by the General Meeting for each subsequent year.

Composition as at 31 December 2005

With the exception of Martin Hellweg, no member of the Board of Directors belongs to the Executive Management or Group Management of the Swissmetal Group or any of its subsidiaries.

Dr. J. Friedrich Sauerländer

Swiss citizen, has served on the Board since 2004, as Chairman since 2005.

J. Friedrich Sauerländer holds a management degree from the University of St. Gallen (HSG) and a doctorate in economics from the University of Freiburg (Germany). His career began with the Aluisse/Lonza Group, from which he moved to the Swiss Eternit Group in 1983. He served on the management board of SGS Société de Surveillance Group and as CEO of André & Cie SA/André Group, Lausanne, and Manufacture des Montres Rolex SA, Bienne. He is currently on the Board of Directors of BNP Paribas (Suisse) SA and is Chairman of the Foundation Board of Fondation PH Suisse – Partnerships in Health.

Dr. Dominik Koechlin

Swiss citizen, has been Deputy Chairman of the Board of Directors since 2004.

Dominik Koechlin holds a doctorate in law from the University of Berne and an MBA from INSEAD Fontainebleau, France. Until 2001, he served several years as a member of the Swisscom management board. Since 2001, among other positions held, he has served on the Foundation Board of Trustees of LGT Bank in Liechtenstein and on the Board of Directors of EGL AG and of Crocell Ltd., The Netherlands.

Martin Hellweg

German citizen, has served on the Board of Directors since 2004. As the CEO since 2003, he chairs the Executive Management and Group Management of the Swissmetal Group.

Martin Hellweg studied economics at Ruhruniversität Bochum (Germany) and later earned an MBA at the Simon Graduate School of Business at the University of Rochester in New York. During his career, he has specialized mainly in financing,

restructuring and repositioning of enterprises. In addition to his present activities at the Swissmetal Group, Mr. Hellweg is Partner and Chairman of the Board of Directors of Ally Management Group AG, Zurich.

Walter Häusermann

Swiss citizen, has served on the Board of Directors since 2004.

Walter Häusermann studied contemporary history at the University of Berne and holds a master's degree in finance and accounting from the London School of Economics. After beginning his career with Credit Suisse in Zurich, he moved to the Swatch Group in 1995. Before joining the Swissmetal Group he was CFO of Expo 02 and worked as an independent consultant for international companies. In addition to his engagement at the Swissmetal Group, he is a member of the Board of Directors of Elma Electronics AG and of Nebag.

Max Locher

Swiss citizen, has served on the Board of Directors since 2004.

He has held several different positions during his career at the Aluisse Group. He served as regional CEO of an extrusion plant in France and project manager and general manager of a sheet metal shop in Nigeria. He became head of sales in 1977 and served from 1984 to 2005 as General Manager of Aluminium Laufen AG in Liesberg, where he has been Chairman of the Board since April 2005.

Changes during financial year 2005

Dr. François Carrard and Thierry Delfosse did not stand for re-election to the Board of Directors at the General Meeting of 9 June 2005 and resigned from the Board effective on that date. J. Friedrich Sauerländer was elected Chairman of the Board of Directors at the constitutive Board meeting of 9 June 2005.

Changes since 31 December 2005

Walter Häusermann resigned from the Board of Directors of the Swissmetal Group on 29 March 2006.



Board of Directors

- 01 Dr. J. Friedrich Sauerländer
- 02 Dr. Dominik Koechlin
- 03 Martin Hellweg
- 04 Walter Häusermann
- 05 Max Locher

Group Management

- 06 Martin Hellweg
- 07 Daniel Brendel
- 08 Yvonne Simonis
- 09 Sam V. Furrer
- 10 Jean-Pierre Tardent
- 11 Martin Heuschkel
- 12 Werner Riegert
- 13 Henri Bols



3.2 Other activities and functions

Other activities and functions, if any, are noted in the biographies of the members of the Board of Directors.

3.3 Cross-involvements

Cross-involvement refers to mutual Board membership among two or more listed companies. The Swissmetal Group is not aware of any such cross-involvements.

3.4 Election and terms of office

The members of the Board of Directors must be shareholders of UMS Schweizerische Metallwerke Holding AG. A majority must be Swiss citizens and reside in Switzerland. They are elected by the Annual General Meeting of Shareholders. The term of office is one year and expires for all members on the date of the Annual General Meeting for financial year 2005, 30 June 2006. Members of the Board of Directors may be elected at any time.

3.5 Internal organizational structure

J. Friedrich Sauerländer has been Chairman of the Board of Directors since 10 June 2005. Until 9 June 2005 the position of Chairman was held by François Carrard. Dominik Koechlin has been Deputy Chairman since 1 July 2004. Martin Hellweg has been CEO since 1 July 2004. Sam V. Furrer has served as the external Secretary of the Board of Directors since 1 July 2004. The Chairman may call as many Board meetings as business requires. Each member of the Board of Directors may also present grounds and demand that the Chairman call a session immediately. A majority of members of the Board of Directors must be present to constitute a quorum for the transaction of business. Resolutions are adopted by a majority of votes cast. Resolutions may be adopted in writing, provided that no member demands oral consultation. The Secretary of the Board of Directors keeps minutes of deliberations and resolutions. Resolutions adopted by correspondence are recorded in the minutes. Ten regular meetings of the Board of Directors were held in 2005. Several conference calls planned at short notice, meetings and working meetings of Board of Directors committees were also held, primarily in relation to the repositioning of the enterprise and the need for external communication of the new industrial concept. There is an Audit Committee composed of Walter Häusermann (Chairman), Dominik Koechlin and J. Friedrich Sauerländer. The Audit Committee works closely with the external auditors.

3.6 Definition of areas of responsibility

The Swissmetal Group Board of Directors has delegated the management of the enterprise to the Executive Management, which consists of two members (three since February 2006). The Executive Management has formed a Group Management consisting of eight members (ten since February 2006) including itself. The Group Management advises and supports the Executive Management. The Executive Management is responsible for all tasks related to business management that are not reserved to the Board of Directors without possibility of delegation. The Executive Management consults with the members of the Group Management in regular meetings. The Group Management consults with the Strategic Leadership Team, a body composed of senior managers in the Swissmetal Group, on strategic issues. The allocation of duties and accountabilities among the Board of Directors, the Executive Management, other members of the Group Management and the Strategic Leadership Team is set forth primarily in the Administrative and Organizational Policies, the Schedule of Authorities and the Signature Rules.

3.7 Information and control instruments

The Executive Management and Group Management inform the Board of Directors at least four times a year of the strategic and operating developments and monthly on financial indicators in comparison with the approved budget. An inventory of raw materials, semi-finished products and finished goods is taken at the end of the year at all plants. Each department begins by taking inventory of its own stocks. Then the accounting department and the external auditors perform spot checks and report discrepancies to the Executive Management/Group Management, which in turn reports them to the Board of Directors along with remedial measures taken. Once a year the external auditors (PricewaterhouseCoopers AG, Basel) draft a Management Letter for the Board of Directors and Executive Management/Group Management containing recommendations for process improvements.

4. Group Management

4.1 Members of the Group Management

The current composition of the Group Management for both UMS Swiss Metalworks Holding Ltd, Berne, and Swissmetal – UMS Swiss Metalworks Ltd, Berne, is provided below. All Group Management members hold an unlimited mandate.

Composition as at 31 December 2005

Martin Hellweg

see section 3.1.

Daniel Brendel

French citizen, was Chief Sales Officer and Group Management member from January 2005 to September 2005. He became Executive Vice President and member of the Executive Management in September 2005. As Deputy CEO, he is also Vice Chairman of the Executive Management and Group Management of the Swissmetal Group.

Daniel Brendel holds a degree in German and international management from the University of Metz, France. Before joining the Swissmetal Group he was responsible for product and market strategy and quality management at Tréfinmetaux and the Business Unit Manager of the Extruded and Drawn Division of the KME Group. During his career, he has acquired in-depth sales and management experience in the semiconductor sector of the copper industry and is especially familiar with the integration and expansion of worldwide distribution networks, particularly for niche products.

Yvonne Simonis

German citizen, has been Chief Financial Officer and a Group Management member since March 2004.

Yvonne Simonis studied sinology and management theory at the University of Freiburg, Germany and holds an MBA and MBI from the Rotterdam School of Management. Before joining the Swissmetal Group in August 2002, Ms. Simonis worked for two years at a management consultancy in Germany and four years in the Finance and Controlling Department of BASF Germany and Asia.

Sam V. Furrer

Swiss citizen, has been Chief Development Officer (CDO), head of Human Resources and a Group Management member since July 2004.

Sam V. Furrer holds a degree in management from the University of St. Gallen. He has worked for numerous consulting

firms in the fields of strategy implementation, change management and enterprise development. During his consulting career he acquired extensive expertise in various industries including petroleum, cement, postal service and electronics and telecommunications.

Jean-Pierre Tardent

Swiss citizen, has been head of Corporate Innovation and Business Development and a member of the Group Management since July 2004.

Jean-Pierre Tardent holds a degree in materials science from EPFL Lausanne and began his career with the Swissmetal Group in 1982. He possesses valuable experience both in copper alloys and their applications and in manufacturing processes.

Martin Heuschkel

French citizen, has been CIO and head of Quality and Processes and a member of the Group Management since December 2003.

Martin Heuschkel holds a degree in electrical engineering from Basel Technical University. Before joining the Swissmetal Group he worked for five years for a Swiss management consultancy on international projects, seven years as the CTO of an international logistics group and four years in the IT and Security Systems Department of a major Swiss bank. He is also the Deputy Chairman of Swiss Data Safe AG in Amsteg.

Werner Riegert

Swiss citizen, has been head of Procurement and a member of the Group Management since February 2004.

Werner Riegert completed commercial vocational training and has acquired a strong foundation of purchasing expertise during his 28 years with the Swissmetal Group, with a specific focus on materials procurement.

Henri Bols

French citizen, has been head of industry at Dornach and a member of the Group Management since September 2003 and head of industry for Dornach and Reconvilier since November 2005.

Henri Bols is an engineer and holds a degree from the Ecole des Arts et Métiers in Paris. Before joining the Swissmetal Group in September 1999, he worked eight years for Péchiney, most recently as head of production. He is an expert in the working of special alloys.

Changes during the financial year 2005

Albert E. Gaide (appointed ad interim until July 2005) and temporary members Thierry Daras, Eric Aellen, Stephan Bregy and Roderick Tanzer left the Group Management during financial year 2005. Patrick Rebstein was also a member of the Group Management from July 2005 to September 2005. Albert E. Gaide, Stephan Bregy and Thierry Daras have left the Company. Daniel Brendel joined the Group Management in January 2005 and in addition the Executive Management in September 2005.

Changes since 31 December 2005

The former temporary Group Management members Eric Aellen and Patrick Rebstein are no longer employed with the Swissmetal Group.

The following individuals have joined the Group Management and Executive Management:

Volker Suchordt

German citizen, has been Executive Vice President for Industry and a member of the Executive Management and Group Management since February 2006. He will also remain General Manager of Busch-Jaeger Metallwerk GmbH in Lüdenscheid during a transitional period.

Volker Suchordt studied metal science at the Universities of Dortmund and Bochum with a focus on metallurgy and metal-working technologies. He has many years of experience in the copper semiconductor industry, which was acquired at the VDM wire, band and coin plant, at Swissmetal Busch-Jaeger and at the Thyssen Krupp-VDM wire plant. Most recently, he transformed Busch-Jaeger Metallwerk GmbH into a highly competitive provider of high-grade specialty products.

Laura Rossini

Italian citizen, has been head of Human Resources and a member of the Group Management since January 2006. Laura Rossini studied foreign languages with a concentration in law and business at the Free University of Cologne and subsequently completed a number of advanced training programs in human resources. She has worked in HR for ten years. She brings solid experience both in strategic HR matters (assessment, recruiting, management development) for international industrial groups such as Hilti and Holcim and in operating HR systems as the head of HR at a small manufacturer.

4.2 Other activities and functions

Other activities and functions, if any, are noted in the biographies of the members of the Group Management.

4.3 Management contracts**Contract with Ally Management Group**

The Swissmetal Group maintains a business relationship with Ally Management Group AG in Zurich, where Director and CEO Martin Hellweg is a Managing Partner and Chairman of the Board of Directors. Ally Management Group specializes in turnaround situations and essentially provides the Swissmetal Group with experts for specific temporary tasks related to the restructuring of the enterprise. The Board of Directors is kept informed at regular intervals of the business relationship with Ally Management Group. The transaction volume between Ally Management Group and the Swissmetal Group in 2005 was CHF 141,236.

5. Compensation, shareholdings and loans

5.1 Content and method of determining compensation and shareholding programs

The Board of Directors determines appropriate compensation for its members. The members of the Swissmetal Group Board of Directors receive directors' fees and their expenses are reimbursed. Members of the Group Management receive a salary, expense accounts and a corporate earnings-based and personal performance-based bonus.

5.2 Compensation for acting members of governing bodies

Total remuneration paid out in fiscal 2005 was:

- to members of the Board of Directors: CHF 327,500 (previous year: CHF 230,559), including CHF 35,000 for the executive Board member
- to members of Group Management: CHF 2,513,746 gross (previous year: CHF 3,245,332).

No compensation or severance payments as specified in the Directive on Information Relating to Corporate Governance went to former members of the Board of Directors and Group Management who left during 2005.

5.3 Compensation for former members of governing bodies

No compensation payments as specified in the Directive on Information Relating to Corporate Governance went to former members of the Board of Directors and Group Management who left before 2005.

5.4 Share allotment in the year under review

As at 31 December 2005 the Swissmetal Group holds 20,000 shares set aside for a former employee option program. No additional shares or options were allotted.

5.5 Share ownership

Members	Total share ownership * as at 31.12.2005	Total share ownership * as at 31.12.2004
Group Management	96,020 **	103,300 **
Board of Directors	4,801	2,001

* "Total share ownership" also includes shares acquired privately.

** Martin Hellweg, CEO of the Swissmetal Group, purchased 88,000 new shares for CHF 9.00 each in the capital increase of July 2004. Sale of 88,000 of these shares was barred until 31 July 2005, of 58,000 shares until 31 July 2006 and of 28,000 shares until 31 July 2007. None of the shares are blocked from 1 August 2007.

5.6 Options

As of 31 December 2004, Group Management held a total of 8,300 options, of which 1,000 were exercisable no later than April 2005, and 7,300 no later than June 2005 at a price of CHF 125.00. All options expired as of 30 June 2005. No options remained open as of the end of 2005.

5.7 Additional fees and remuneration

There were no additional fees and remuneration as specified in the Directive on Information Relating to Corporate Governance to members of the Board of Directors and Group Management.

5.8 Loans to members of governing bodies

There were no loans to members of the Board of Directors and Group Management as specified in the Directive on Information Relating to Corporate Governance.

5.9 Highest total compensation

The highest total compensation paid to a member of the Board of Directors in the 2005 financial year was CHF 62,500 (previous year: CHF 70,000).

6. Shareholders' participation rights

6.1 Voting rights restrictions and representation

The holder of a share who presents the share or is otherwise authenticated as owner in a manner prescribed by the Board of Directors is entitled to exercise the right of voting vis-à-vis the company. A shareholder may designate another shareholder to represent his or her shares.

6.2 Statutory quorums

The General Meeting adopts resolutions and carries out votes by an absolute majority of share votes represented, except where the provisions of Article 704 of the Swiss Code of Obligations rule otherwise.

6.3 Convocation of the General Meeting of the shareholders

The Annual General Meeting is held each year within six months after the end of the fiscal year. The General Meeting is convoked by the Board of Directors, or if necessary by the auditors, liquidators or creditors' representatives. The General Meeting is convoked through a notice in the Swiss Official Gazette of Commerce no later than twenty days before the date of the Meeting. The convocation must give notice of the items to be discussed and of proposals of the Board of Directors and of shareholders who have demanded that a General Meeting be held or an item be placed on the agenda. An Extraordinary General Meeting is held if the Board of Directors deems it useful or necessary or on the petition of one or more shareholders who jointly represent at least one-tenth of the company's share capital.

6.4 Agenda

No resolutions may be adopted on matters of which notice was not duly given, with the exception of motions to convoke an Extraordinary General Meeting or to carry out an extraordinary audit. Prior notice is not required to bring motions within the scope of the agenda items or for deliberations without the adoption of a resolution.

6.5 Registrations in the share register

Since UMS Swiss Metalworks Holding Ltd does not issue registered shares there are no registrations in the share register.

7. Changes of control and defence measures

7.1 Duty to make an offer

The Swissmetal Group has not adopted any defence measures against takeover attempts. The governing bodies are of the opinion that the best defence is a reasonable share valuation and reliance on free market forces rather than depending on measures that generally have a negative long-term impact on the share price. The Company's Articles do not contain either an "opting-up" or an "opting-out" clause. This means that the obligation to make an offer prescribed by the Swiss Stock Exchange Act is triggered if a shareholder or a group of shareholders acting jointly acquires more than one-third of the outstanding shares.

7.2 Clauses on changes of control

There are no clauses in the agreements and plans with members of the Board of Directors and Group Management which provide any advantage to these parties in the event of a change in control of the Company.

8. Auditors

8.1 Duration of the mandate and auditor's term of office

PricewaterhouseCoopers AG, Basel, (under the name STG-Coopers & Lybrand AG until 1998) has held the auditor's mandate for the Swissmetal Group since 1986. Gerd Tritschler was the lead auditor for the first time for the 2004 annual accounts. The auditors are appointed by the Annual General Meeting for a period of one year.

8.2 Auditing fees

The total of auditing fees charged by the auditors in the year under review is CHF 357,380 (previous year: CHF 269,700).

8.3 Additional fees

Fees for additional services, particularly in connection with various tax services performed for UMS Swiss Metalworks Holding Ltd or one of its subsidiaries, came to CHF 132,950 during the year under review (previous year: CHF 407,428).

8.4 Supervisory and control tools in relation to auditing

Regular discussions are held between the Executive Management/Group Management and the lead auditor.

9. Information policy

The Swissmetal Group regularly informs shareholders and investors of its business activities and the state of the industry through press releases, annual conferences upon the release of financial statements, analyst conferences, the Annual Report, Semester and Quarterly Reports and the provision of background information.

Further information is available at:
www.swissmetal.com

From precision instruments to works of art, pieces of jewelry to Euro coins, pipelines to musical instruments – a world without copper is barely imaginable. Over the next few pages, we would therefore like to introduce you to just some of the facets of this precious metal and invite you on a journey of discovery dedicated to this fascinating ore and its manifold uses. On this journey you will learn lots of interesting facts and exciting details about a raw material that has been known to man for over 10,000 years. The accompanying pictures impressively convey a range of analogies between the properties of copper and diverse natural phenomena.

An aerial photograph of a coastline. The ocean is a deep blue, with white-capped waves breaking against a dark, rocky shore. The sun is low in the sky, creating a shimmering, golden light on the water's surface and casting long, dark shadows across the rocks. The overall mood is serene and powerful.

The Flow of Heat.

The ocean is the largest and most important reservoir of heat on Earth. But other elements also have outstanding thermal properties – copper, for example. From piping in heating systems to the first steam engines right up to modern microprocessors: thanks to its excellent heat conductivity, copper is the one element that truly makes our modern way of life possible.



The Cycle of Life.

There are no waste products in nature. The same is true of copper. Following its original application, this precious metal can be reused over and over again. Pure copper does not lose any of its value or decline in quality. This means that any waste products within a production lifecycle are recycled in full and even old objects made of copper can be used as raw material for the manufacture of new products.

A close-up photograph of a copper roof. The copper has a rich, reddish-orange patina and is highly textured with a wavy, undulating pattern. The lighting is dramatic, highlighting the metallic sheen and the intricate details of the roof's surface. The background is dark and out of focus, emphasizing the texture of the copper.


A Hard, Yet Soft Material.

Copper alloys are extremely elastic, thus enabling even complex objects to be formed. The malleability of copper is not only advantageous when it comes to making musical instruments and electrical connectors, it also plays a valuable role in roof construction. The result: roofs that can take on any architectonic form and yet remain perfectly watertight.

Totally Energized.

No modern life without electricity. And no electricity without copper. From light bulbs to refrigerators to complex IT networks – wherever there is a flow of electricity, copper guarantees the smooth circulation of the current. This electrical conductivity also makes copper one of the most important precious metals in the world we currently live in.





When One Thing Is Added to Another.

Complex connections are not only to be found in the realm of flora and fauna, but also in the fields of industry and technology – for example, in automobile radiators. These filigree works of art require a material that can both be perfectly soldered and welded: copper. Thanks to their many different properties, copper alloys are the preferred material in the manufacture of challenging constructions that will stand up to years and years of extreme wear and tear.



The Healing Force from the Earth.

Medicinal herbs are known to have a beneficial effect. Copper, too, can help in many areas of health protection. Thanks to its antibacterial qualities, for example, copper is used to protect vulnerable grape vines or to disinfect metal surfaces in hospitals. Its biostatic properties prevent the spread of bacteria and, in particular, the use of copper pipes in air conditioners can effectively block the proliferation of microbes and epidemics.

A close-up photograph of several large, vibrant green leaves, likely from a plant like a lily or iris. The leaves are covered in numerous small, clear water droplets, suggesting a recent rain or dew. The lighting is soft, highlighting the texture of the leaf veins and the glistening surface of the water. The background is a blurred, darker green, making the foreground leaves stand out.

An Element That Stands Up to the Rain.

Plants can withstand any kind of weather. But copper, too, has proven to be extremely robust and weather-resistant. Whether old cathedrals, the hulls of imposing ocean liners or high-quality cutlery: when it comes to resisting corrosion, this precious metal is generally the first choice. There is a good reason why one of the most famous monuments in the world – the Statue of Liberty in New York – was fashioned from copper and has been proudly resisting rain, hail or sunshine since 1886.



Combining Elements.

Mixing one thing with another can lead to the creation of new qualities – which is the case with copper alloys such as bronze or brass. These combinations of metals, which have been known to man for 4,000 years, are of economic importance. But they are not the only ones. Today, innovative copper alloys with their manifold combinations of properties are at the leading edge of technology – in sectors such as modern electronics, as well as the aerospace and aviation industries.

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Unless explicitly stated otherwise all values are in CHF thousands.

The Swissmetal Group prepares its consolidated financial statements in accordance with Swiss GAAP FER (Foundation for accounting and reporting recommendations – Accounting Standards); the single-entity financial statements of UMS Swiss Metalworks Holding Ltd are prepared in accordance with the Swiss Code of Obligations.

Consolidated income statement

	Notes	2005		2004	
		CHF 000	%	CHF 000	%
Gross sales	01	198,347	181.6	204,830	172.9
Deductions from gross sales	02	-7,957	-7.3	-9,696	-8.1
Net sales		190,390	174.3	195,134	164.8
Cost of materials and changes in stock	03	-81,167	-74.3	-76,700	-64.8
Gross margin		109,223	100.0	118,434	100.0
Other operating income	04	848	0.8	137	0.1
Own work capitalized	05	412	0.4	368	0.3
Personnel expenses	06	-65,580	-60.0	-69,593	-58.7
Operating and administrative expenses	07	-28,949	-26.5	-28,544	-24.1
Restructuring expenses		0	0.0	-569	-0.5
Operating income before depreciation (EBITDA)		15,954	14.7	20,233	17.1
Depreciation	08	-12,533	-11.5	-11,867	-10.0
Operating income (EBIT)		3,421	3.2	8,366	7.1
Financial result	09	961	0.9	-3,656	-3.1
Refinancing expenses		0	0.0	-1,354	-1.1
Non-operating result	10	-82	-0.1	2,166	1.8
Extraordinary result	11	-85	-0.1	12,900	10.9
Earnings before taxes (EBT)		4,215	3.9	18,422	15.6
Taxes	12	-910	-1.0	-736	-0.7
Result for the year before minority interests		3,305	2.9	17,686	14.9
Minority interests	13	-3	0.0	0	0.0
Result for the year (EAT)		3,302	2.9	17,686	14.9

Two affiliates, Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town, were included in the consolidated

income statement for the last time in 2004 as the companies were being wound up (already concluded).

EBITDA: Earnings before interest, taxes, depreciation and amortization

EBIT: Earnings before interest and tax

EBT: Earnings before tax

EAT: Earnings after tax

Consolidated balance sheet

ASSETS		31.12.2005		31.12.2004	
	Notes	CHF 000	%	CHF 000	%
Current assets					
Cash and cash equivalents	14	13,721	8.4	9,307	5.7
Securities		2	0.0	2	0.0
Notes receivable and cheques	15	80	0.0	285	0.2
Trade accounts receivable	16	30,131	18.5	32,207	19.9
Other receivables	17	6,139	3.8	10,073	6.2
Stock	18	43,094	26.5	44,888	27.7
Prepaid expenses and accrued income	19	1,668	1.0	2,346	1.4
Total current assets		94,835	58.2	99,108	61.1
Fixed assets					
Property, plant and equipment and intangible assets	20	65,712	40.4	62,890	38.9
Loans	21	0	0.0	81	0.0
Assets from employer contribution reserves	22	2,241	1.4	0	0.0
Total fixed assets		67,953	41.8	62,971	38.9
TOTAL ASSETS		162,788	100.0	162,079	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
	Notes	CHF 000	%	CHF 000	%
Short-term liabilities					
Interest-bearing liabilities	23	1,345	0.8	2,621	1.6
Trade accounts payable	24	14,329	8.8	16,162	10.0
Other liabilities	25	3,292	2.0	3,161	2.0
Accrued expenses and prepaid income	26	3,121	1.9	3,100	1.9
Provisions	27	780	0.5	2,673	1.6
Total short-term liabilities		22,867	14.0	27,717	17.1
Long-term liabilities					
Compulsory stockpile loan	28	10,000	6.2	11,000	6.8
Provisions	27	6,513	4.0	4,931	3.0
Total long-term liabilities		16,513	10.2	15,931	9.8
Total liabilities		39,380	24.2	43,648	26.9
Shareholders' equity					
	29				
Share capital		58,910	36.1	58,910	36.3
Capital reserves		37,420	23.0	37,420	23.1
Retained earnings		24,430	15.0	5,059	3.1
Own shares		-700	-0.4	-700	-0.4
Cumulated exchange rate translation differences		-45	0.0	-32	0.0
Result for the year		3,302	2.0	17,686	10.9
Minority interests	13	91	0.1	88	0.1
Total shareholders' equity		123,408	75.8	118,431	73.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		162,788	100.0	162,079	100.0

The subsidiaries Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town, were deconsolidated with the

financial statements as of 31 December 2004, as the companies were being wound up (already concluded).

Consolidated cash flow statement

	2005	2004
	CHF 000	CHF 000
Cash flow from operating activities		
Result for the year	3,302	17,686
Depreciation on property, plant and equipment and intangible assets	12,533	11,867
Change in provisions		
– Short-term	-1,893	-13,630
– Long-term	1,021	1,816
Other non-cash income statement items*	420	-4,523
Cash flow before change in net current assets	15,383	13,216
Changes in securities, accounts receivable, and prepaid expenses	6,901	-4,261
Change in stock	1,359	-16,546
Change in accounts payable	-1,838	4,340
Change in other current liabilities and deferred income	-721	4,164
Total cash flow from operating activities before extraordinary effects	21,084	913
Receivables purchased in connection with bank guarantees (extraordinary effect)	0	-5,551
Total cash flow from operating activities after extraordinary effects	21,084	-4,638
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	-15,463	-11,226
Disposal of property, plant and equipment and intangible assets	0	1,626
Total cash flow from investing activities	-15,463	-9,600
Free cash flow	5,621	-14,238
Cash flow from financing activities		
Change in liabilities to banks	-1,000	-32,655
Shareholder's equity transactions	0	44,905
Change in loans	-223	-2,402
Total cash flow from financing activities	-1,223	9,848
Effect of exchange rate on cash and cash equivalents	16	-8
Net change in cash and cash equivalents	4,414	-4,398
Cash and cash equivalents as at 1 January	9,307	13,705
Cash and cash equivalents as at 31 December	13,721	9,307

* Other non-cash income statement items	2005	2004
Bank waivers	0	-6,270
Deconsolidation effects	0	2,423
Net loss/gain on the scrapping or disposal of property, plant and equipment	106	-1,603
Tax effect on shareholders' equity transaction costs	0	1,445
Value adjustments on assets	339	-410
Value adjustments on investments in associates	0	110
Exchange rate differences on valuations of bank loans	0	-488
Other	-25	270
Total other non-cash income statement items	420	-4,523

The subsidiaries Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town were included in the

consolidated cash flow statement for the last time in 2004, as the companies were being wound up (already concluded).

Statement of changes in consolidated shareholders' equity

CHF 000	Share capital	Capital reserves ¹⁾	Own Shares	Retained earnings ²⁾	Cumulated exchange rate translation differences	Total excluding minority interests	Minority interests	Total including minority interests
Balance as at 1 January 2004	85,000			-32,395		52,605	88	52,693
Effect from Swiss GAAP FER 24 (reclassification)			-700			-700		-700
Reclassification of exchange rate translation differences				2,475	-2,475	0		0
Balance as at 1 January 2004 (after reclassification)	85,000		-700	-29,920	-2,475	51,905	88	51,993
1st capital reduction	-35,020			35,020		0		0
2nd capital reduction	-42,330	42,330				0		0
Capital increase – tranche A	23,000					23,000		23,000
Capital increase – tranche B	28,260					28,260		28,260
Shareholders' equity transaction costs		-4,910				-4,910		-4,910
Result for the year – 2004				17,686		17,686	0	17,686
Changes in scope of consolidation				-41	2,443	2,402		2,402
Balance as at 1 January 2005	58,910	37,420	-700	22,745	-32	118,343	88	118,431
Effect from first-time application of Swiss GAAP FER 16 (Pension Plans) ³⁾				1,685		1,685		1,685
Result for the year – 2005				3,302		3,302	3	3,305
Reclassification of exchange rate translation differences					-13	-13		-13
Balance as at 31 December 2005	58,910	37,420	-700	27,732	-45	123,317	91	123,408

¹⁾ Includes the paid-in statutory reserves and shareholders' equity transaction costs

²⁾ Includes the profits from first-time and subsequent consolidation, unappropriated retained earnings, and result for the period

³⁾ See assets from employer contribution reserves

Due to the implementation of Swiss GAAP FER 24 as of 1 January 2004, the reserve for own shares of CHF 2.3 million was posted to retained profits and own shares (as of the end of 2003 recognized under securities at the market value of CHF 35.00 per share) were deducted from shareholders' equity. Retained profits include CHF 26.9 million non-distributable reserves for the individual companies.

As of 31 December 2005, the portfolio of own shares was still 20,000 shares.

As of 31 December 2004, Group Management held a total of 8,300 options, of which 1,000 were exercisable no later than April 2005, and 7,300 no later than June 2005 at a price of CHF 125.00. All options expired as of 30 June 2005. No options remained open as of the end of 2005.

Balance of own shares	31.12.2005	31.12.2004
	Number	Number
	20,000	20,000

Notes to the consolidated financial statements

Scope of consolidation

All companies in which UMS Swiss Metalworks Holding Ltd, Berne, has more than a 50% interest are included in the consolidation.

The scope of consolidation as of 31 December 2005 comprised the following companies:

- UMS Swiss Metalworks Holding Ltd, Berne, Switzerland
- Swissmetal – UMS Swiss Metalworks Ltd, Berne, Switzerland, with plants in Reconvilier and Dornach (wholly owned)
- Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, Germany (wholly owned)
- Swissmetal Italia s.r.l., Milan, Italy (80% interest)

Changes in the scope of consolidation as of 31 December 2005:
No changes were made to the reporting entity structure in the year under review.

Consolidation principles

The consolidated annual financial statements represent a true and fair view of the net assets, financial position and results of operations and are prepared in accordance with Swiss GAAP FER. Swissmetal is continuing to review a change to International Financial Reporting Standards (IFRS).

Equity consolidation is made in accordance with the purchase method (revaluation method). In applying the full consolidation method, assets, liabilities and equity, as well as expenses and earnings of consolidated companies are fully recognized. The minority interests' share in the equity and profit of the respective company are recognized separately in the balance sheet and income statement under minority interests. Receivables and liabilities as well as income and expenses between consolidated companies have been eliminated. As there are no significant intercompany profits on inventories, there was no elimination. As a rule, non-consolidated equity holdings are recognized using the pro-rata value of equity.

Measurement principles

The assets, liabilities and equity of the Swissmetal Group are measured in accordance with Swiss GAAP FER and therefore based on a "true and fair view" (cost less operationally required adjustments). Deferred taxes on untaxed reserves are calculated using the future expected tax rates and recognized as provisions.

Stock

The method for measuring the stock is adjusted to operating requirements. Production companies measure crude metals and own makes (metal content) using the LIFO principle (last-in-first-out), taking into account the purchase and delivery obligations that exist as of the balance sheet date. The stock of trading companies is recognized using average cost. The stock is valued on a full-cost basis. Auxiliary and operating materials are not capitalized.

Provisions

All recognizable and measurable risks of loss have been taken into account through provisions in accordance with Swiss GAAP FER 23.

Foreign currencies

Income and expenses in the individual Group companies are recognized using the respective daily or hedged rate of exchange. Assets, liabilities and equity in foreign currency are recognized using the respective year-end rates. Deviations from cash and cash equivalents are recognized in income. Negative deviations from receivables and liabilities, after adjusting for open hedges, are recognized in the income. Positive deviations from receivables and liabilities, after adjusting for open hedges, are recognized in short-term liabilities.

The balance sheets of foreign Group companies are translated using the current rate method at year-end rates as of 31 December 2005 and 31 December 2004 respectively. The income statement accounts of foreign subsidiaries are translated using average annual rates. The translation adjustments are directly recognized to the shareholders' equity as exchange rate difference.

Rates for foreign currency translation CHF	2005		2004	
	Balance sheet	Income statement	Balance sheet	Income statement
1 EUR	1.5590	1.5480	1.5440	1.5440
1 USD	1.3160	1.2460	1.1320	1.2430
1 GBP	2.2640	2.2650	2.1800	2.2760

Maturities

In general, receivables and liabilities with an economic life of more than 12 months are classified as long-term. Portions of long-term items becoming due in the short term are reclassified.

Research and development

Research and development expenses totaled CHF 1.1 million in 2005 (previous year: CHF 1.3 million) and were not capitalized, but rather recognized in the income statement. This amount was utilized for several projects related to new materials as well as for products for the aircraft industry and others. Personnel expenses of CHF 0.7 million (previous year: CHF 1.1 million) constituted the largest portion of the R&D total.

Provisions for doubtful accounts

Provisions for doubtful accounts are comprised of individual adjustments as well as a global allowance of 3% of the balance of unsecured receivables and are charged directly to accounts receivable.

Property, plant and equipment and intangible assets

Capitalization principles

Property, plant and equipment and intangible assets are capitalized at no more than the cost of acquisition or of production. Operationally required depreciation is deducted from this amount. Assets costing in excess of CHF 5,000 per project and whose expected useful life is at least two years are always capitalized.

Depreciation

Regular depreciation reflects the reduction in value of fixed assets due to utilization and aging and is carried out based on business criteria. The corresponding rates are:

Land and buildings	Years	%
Land	0	0.0
Buildings, solid structure – plants	25	4.0
Buildings, solid structure – office buildings	40	2.5
Buildings, light weight – plants	10	10.0
Buildings, light weight – office buildings	20	5.0
Residential buildings	50	2.0
Infrastructure	33	3.0

Technical equipment, machines, plant and office furnishings		
	Years	%
Fabrication machinery and equipment (average useful life)	10	10.0
Fabrication machinery and equipment (short useful life)	5	20.0
Logistical resources	5	20.0
Major equipment (presses, casting equipment)	15	6.7
Infrastructure (average useful life)	10	10.0
Infrastructure (short useful life)	5	20.0
Office equipment and furniture	5	20.0
IT equipment (mainframes, servers, printers)	5	20.0
IT equipment (PCs, desktop printers, etc.)	3	33.3
Vehicles (warehouse and passenger vehicles)	5	20.0
Vehicles (trucks)	8	12.5

Intangible assets		
	Years	%
Software	3	33.3

If the useful life actually expected is shorter than those underlying the above rates, then the shorter expected useful life is applied.

Impairment

Property, plant and equipment and intangible assets are subjected to an impairment test if there are indications for such an impairment. If the carrying value of an asset exceeds its recoverable value in use, there is an impairment, whereby the value in use of an asset corresponds to the present value of the expected future cash flows. If there is an impairment, the carrying value must be reduced to the recoverable value and the impairment charged to income for the period.

Pension funds

Since 1 January 2000, the Swissmetal Group has accounted for pension obligations pursuant to the principles of Swiss GAAP FER 16. In addition, the Swissmetal Group has exercised the option of early application of the new Swiss GAAP FER 16, and has already applied the changes to Swiss GAAP FER 16 effective as of 1 January 2006 in these consolidated financial statements. The opening balance of the economic benefit as of 1 January 2005 was recognized separately through equity.

The Swissmetal Group bears the costs of occupational pensions for all employees and their surviving dependents based on the statutory requirements. In this regard, all significant pension plans are subject to Swiss law. The pension obligations and the covering assets have been divested to legally independent foundations.

The organization, management and financing of the pension plans follow the Swiss occupational pensions law (BVG/LPP), the foundation charters and the applicable pension rules. The pension obligations are regularly reassessed by pension fund experts. Pursuant to Swiss GAAP FER 16, the Swissmetal Group's pension plans are defined contribution plans.

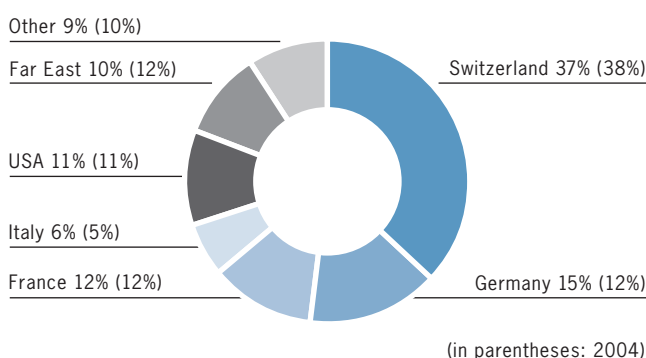
The subsidiary Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, and Swissmetal Italia s.r.l., Milan, cannot operate independent staff pension funds. Therefore, appropriate provisions are recognized in the consolidated balance sheet.

Notes to the consolidated income statement

1. Gross sales

Gross sales totaled CHF 198.3 million (previous year: CHF 204.8 million), 3% (CHF 6.5 million) below the comparable year-back figure. This was caused by the continuing price pressure on the standard products due to excess capacity in this segment, which was however partially offset by rising metal prices.

The breakdown of gross sales by geographical region is as follows:



The percentages for the seven regions presented changed only slightly compared to the prior year. The Swissmetal Group generates 37% of its sales with companies in Switzerland and 63% from foreign companies. The most important European countries, Germany, France and Italy, make up 33% of the sales, the US 11%, the Far East 10%, and the rest of the world 9% of sales.

2. Deductions from gross sales

Deductions from gross sales declined year-on-year from CHF 9.7 million to CHF 8.0 million. The ratio to gross sales was slightly lower at 4.0% compared to 4.7% in the prior year. This was primarily due to freight charges, which declined due to lower sales volume, in spite of the high proportion of metal in gross sales.

3. Cost of materials and changes in stock

The cost of materials and changes in stock increased by CHF 4.5 million to CHF 81.2 million compared to the previous year. The cost of materials was CHF 82.5 million, whereby changes in the inventory of CHF 1.3 million were deducted. The cost of materials in relationship to total sales increased in the year under review due to the significant increase in metal prices, as gross added value sales is independent of the price of materials.

4. Other operating income

Other operating income totaled CHF 0.8 million. This includes an extraordinary effect from an external strike fund of CHF 0.4 million for the strike in November 2004. The other income arose from reimbursement from insurance as well as passing on staff costs.

5. Own work capitalized

Own work capitalized comprises work by the company's own staff for capital expenditures in plant, property and equipment and remained unchanged at CHF 0.4 million.

6. Personnel expenses

Personnel expenses declined significantly compared to the prior year. In 2005, they were CHF 65.6 million, CHF 4.0 million less than in the prior year.

Although the average headcount declined from 807 to 768 full-time equivalents, the ratio of personnel expenses to gross margin increased from 58.7% to 60.0%. The adjustment of the headcount to the lower orders situation was initiated in the first quarter of 2005, but its effects unfolded only slowly.

7. Operating and administrative expenses

CHF 000	2005	2004
Energy	6,998	6,837
Operating materials	14,448	14,552
Administrative expenses	5,806	5,837
Other expenses	1,697	1,318
Total operating and administrative expenses	28,949	28,544

In spite of a lower production volume, energy costs increased slightly compared to the prior year due to higher energy prices.

The cost of operating materials, which is dependent upon volume, rose in relation to the higher maintenance expense and therefore remained the same in absolute terms.

Administrative expenses remained unchanged compared to the prior year, comprising costs for insurance, information technology, communication and consulting among other items.

Other expenses comprise primarily travel and entertainment, which barely changed compared to the prior year. The increase of CHF 0.4 million was primarily due to higher rental and development costs.

8. Depreciation

Depreciation, all of which was regular, totaled CHF 12.5 million, up slightly over the previous year (CHF 11.9 million).

(See also Non-operating income)

9. Financial result

CHF 000	2005	2004
Financial income	299	182
Financial expenses	-388	-2,149
Exchange rate differences	1,050	754
Changes in scope of consolidation	0	-2,443
Financial result	961	-3,656

Financial result improved by CHF 4.6 million compared to the prior year to CHF 1.0 million. Financial expenses totaled CHF 0.4 million in 2005 and were less than in the previous year (CHF 2.1 million) due to the capital increase in July 2004 and the related conversion of debt into equity. The average interest rate was 1.3%.

Exchange rate gains of CHF 1.1 million (previous year: CHF 0.8 million) as well as financial income of CHF 0.3 million (previous year: CHF 0.2 million) had a positive effect on net financial income.

10. Non-operating result

CHF 000	2005	2004
Non-operating income	0	2,273
Non-operating expenses	-82	-107
Non-operating result	-82	2,166

Non-operating expenses were CHF 0.1 million in 2005 and related primarily to losses on machinery that still retained a residual value when they were scrapped.

11. Extraordinary result

A provision of CHF 1.4 million was recognized in 2005 due to new proposed legislation concerning builders' responsibilities for contaminated sites, and restructuring provisions from 2002 of CHF 1.3 million were reversed, as they were no longer required. This resulted in net extraordinary income of CHF -0.1 million. Extraordinary result in 2004 was CHF 12.9 million due to non-recurring events in connection with refinancing.

(See also Environment/Provisions)

12. Taxes

Tax expense totaled CHF 0.9 million. Of this amount, deferred taxes accounted for CHF 0.3 million, taxes on capital for CHF 0.4 million and income and other taxes for CHF 0.1 million each. The remaining taxable loss carry-forwards of CHF 6.0 million may be claimed 7 years after they arise (until at least 2009). The tax reduction of CHF 1.5 million expected to result from these carry-forwards was recognized as a deferred tax asset.

13. Minority interests

The minority interests refer to Swissmetal Italia s.r.l., Milan, Italy, and show their share in the result for the year and in equity.

Notes to the consolidated balance sheet

14. Cash and cash equivalents

As at the balance sheet date, cash and cash equivalents totaled CHF 13.7 million, CHF 4.4 million higher than the end of 2004. In spite of lower earnings in 2005 compared to 2004, the figure increased due primarily to net current assets being converted to cash and cash equivalents.

15. Notes receivable and cheques

Notes receivable and cheques declined by CHF 0.2 million to CHF 0.1 million.

16. Trade accounts receivable

Trade accounts receivable fell from CHF 32.2 million to CHF 30.1 million, which corresponds to a decline of CHF 2.1 million. The reduction is primarily attributable to lower sales and more active accounts receivable management. The adjustments (individual and lump sum) totaled CHF 3.0 million as at 31 December 2005; the prior-year level was CHF 3.1 million.

Trade accounts receivable serve as collateral for the newly granted line of credit. (See also contingent liabilities)

17. Other receivables

As at 31 December 2005, other receivables totaled CHF 6.1 million and are composed of: Receivables purchased, which was necessary in connection with the refinancing in 2004 (net CHF 2.5 million), VAT credits (CHF 1.7 million), credit balance with the Reconvilier employee benefit foundation (CHF 1.1 million), a credit balance from social benefits (CHF 0.4 million) and other receivables (CHF 0.4 million). The decline compared to 2004 amounts to CHF 3.9 million, which is essentially attributable to the termination of the factoring facility (reduced other receivables by CHF 2.3 million) and the decline in VAT credits of CHF 1.5 million.

18. Stock

The stock is comprised of the following:

CHF 000	31.12.2005	31.12.2004
Crude metals	8,960	10,482
Own makes – metal content	19,783	21,416
Own makes – value added	12,032	11,489
Own makes at trading companies	2,319	1,501
Total stock	43,094	44,888

Stock levels, which totaled 17,600 tonnes at the end of 2004, were reduced by 15% to 14,900 tonnes through active warehouse management in the year under review. The bulk of the reduction was in raw materials and work in process. Due to the significant increase in metal prices – the price of copper increased by about 50% in 2005 – the 4% decline in the value of inventories to CHF 43.1 million was significantly smaller than the decline in volume.

The market value of the stock was CHF 84.7 million as at 31 December 2005, a total increase of CHF 16.0 million (23%) over the previous year (CHF 68.7 million) due to price changes.

19. Prepaid expenses and accrued income

Prepaid expenses and accrued income were CHF 1.7 million as at 31 December 2005, a decline of CHF 0.7 million compared to the previous year. The largest share in this item, CHF 1.5 million, is attributable to deferred tax assets, which are also the primary reason for the reduction compared to the previous year. (See also Taxes)

20. Property, plant and equipment and intangible assets

CHF 000	Land	Buildings	Machinery and technical equipment	Other equipment	Assets under construction	Intangible assets	Total
2005 Statement of changes in tangible and intangible assets							
Acquisition value							
Balance as at 1 January	2,484	68,412	216,010	10,178	1,944	5,418	304,446
Acquisition				782	14,681		15,463
Disposals		-121	-1,156	-376		-1,711	-3,364
Transfers of assets under construction		273	7,608	136	-8,474	457	0
Reclassification							0
Currency translation adjustments			-3			1	-2
Balance as at 31 December	2,484	68,564	222,459	10,720	8,151	4,165	316,543
Accumulated depreciation							
Balance as at 1 January	3	55,665	175,136	8,408	0	2,344	241,556
Regular and extraordinary depreciation		1,326	9,231	769		1,207	12,533
Disposals		-121	-1,050	-376		-1,711	-3,258
Reclassification							0
Currency translation adjustments							0
Balance as at 31 December	3	56,870	183,317	8,801	0	1,840	250,831
Carrying amount							
as at 1 January	2,481	12,747	40,874	1,770	1,944	3,074	62,890
as at 31 December	2,481	11,694	39,142	1,919	8,151	2,325	65,712
Fire insurance values							
as at 31 December		220,902	303,664	2,306			526,872
2004 Statement of changes in tangible and intangible assets							
Acquisition value							
Balance as at 1 January	2,484	73,337	209,826	10,612	3,199	2,884	302,342
Acquisition				27	11,196	3	11,226
Disposals		-3,137	-2,730	-1,971	-259	-1,024	-9,121
Transfers of assets under construction		322	6,979	1,336	-12,192	3,555	0
Reclassification		-2,110	1,935	175			0
Currency translation adjustments				-1			-1
Balance as at 31 December	2,484	68,412	216,010	10,178	1,944	5,418	304,446
Accumulated depreciation							
Balance as at 1 January	3	59,479	166,685	9,570	0	2,793	238,530
Regular and extraordinary depreciation		1,326	9,275	692		574	11,867
Disposals		-3,114	-2,730	-1,976		-1,023	-8,843
Reclassification		-2,026	1,904	122			0
Currency translation adjustments				2			2
Balance as at 31 December	3	55,665	175,136	8,408	0	2,344	241,556
Carrying amount							
as at 1 January	2,481	13,858	43,141	1,042	3,199	91	63,812
as at 31 December	2,481	12,747	40,874	1,770	1,944	3,074	62,890
Fire insurance values							
as at 31 December		220,187	306,000	2,279			528,466

The "Buildings" asset category as at 31 December 2005 included buildings not required for operations with a carrying value of CHF 0.4 million (previous year: CHF 0.5 million).

The disposal of buildings concerns the demolition of buildings to create room for the new production site.

New vehicles for freight forwarding were capitalized as financial lease assets in the "Other equipment" asset class in the year under review. The carrying value and lease liabilities of these vehicles totaled CHF 0.6 million as at the balance sheet date.

The extrusion press at Dornach (of which, advance payments to suppliers amounting to CHF 4.3 million), machinery and technical equipment in Dornach, as well as machinery and technical equipment in Reconvilier make up for approximately one-third each of the additions under "Assets under construction". Intangible assets consist solely of software. Software totaling CHF 1.7 million of acquisition value, which was fully depreciated, was taken off the books in 2005.

With regard to the adjustment for impairment in 2002, neither new indications of any additional impairment nor a substantial improvement in the underlying factors were found in 2005, so that the 2002 impairment adjustment of CHF 12.7 million (gross value) still remains. (See also Events after the balance sheet date)

21. Loans

As at 31 December 2005, there were no longer any loans vis-à-vis third parties. The loans associated with previous sales of land totaled only CHF 0.1 million in 2004. These were reclassified to other receivables as at 31 December 2005 because they became due within one year of the balance sheet date.

22. Assets from employer contribution reserves and pension funds

The situation in the Swiss pension funds is as follows:

Economic benefits/obligation and pension expense								
CHF 000	Overage/shortage pursuant to Swiss GAAP FER 26 31.12.2005 (Basis 31.12.2004)	Company's economic benefit		Change from prior year or recognized in income during the fiscal year	Amounts accrued for the period	Pension expense included in personnel expenses		
		31.12.05	31.12.04			2005	2004	
Employers' funds/pension plans	3,624	0	0	0	0	0	0	0
Pension plans with surplus cover	3,330	0	0	0	0	2,872	2,915	
Total	6,954	0	0	0	0	2,872	2,915	

As of the balance sheet date, the economic benefits from employer contribution reserves divested to the Swiss pension funds were as follows:

Employer contribution reserves (ECR)							
CHF 000	Nominal value	Use of ECR waived	Other allowances	Discount	Balance sheet	Balance sheet	Earnings from ECR included in personnel expenses
	31.12.2005	31.12.2005	31.12.2005	31.12.2005	31.12.2005	31.12.2004 ¹⁾	2005
Employers' funds/pension plans	2,241	0	0	0	2,241	2,241	0
Total	2,241	0	0	0	2,241	2,241	0

¹⁾ After adjustment to Swiss GAAP FER 16 as at 01.01.2005

A total of CHF 2.2 million in employer contribution reserves was capitalized from the employee benefits foundations in Dornach and Reconvilier, of which CHF 1.7 million resulted in an increase in equity.

Pension plan contributions (CHF 000)	2005
Regulatory employee contributions	2,872
Regulatory employer's contributions	2,872

The employer's contributions are included in personnel expenses.

23. Interest-bearing liabilities (short-term)

Credit type (CHF 000)	31.12.2005	31.12.2004
Bank loans	1,000	1,000
Loans from employees	52	457
Liabilities to employee benefit foundations	293	1,164
Total interest-bearing liabilities (short-term)	1,345	2,621

Interest-bearing liabilities (short-term) declined by half compared to the prior year, i.e. from CHF 2.6 million to CHF 1.3 million. The decline of CHF 1.3 million is attributable to the reduction in liabilities for employee pension plans of CHF 0.9 million and the repayment of employee loans of CHF 0.4 million.

The majority of short-term interest-bearing liabilities relate to the current portion of the compulsory stockpile loan which totals CHF 1.0 million. This portion becomes due each subsequent year. (See also compulsory stockpile loan)

24. Trade accounts payable

Trade accounts payable declined by CHF 1.8 million to CHF 14.3 million compared to the prior year. This development is linked primarily to the lower procurement volume.

25. Other liabilities

Other liabilities changed little compared to the prior year (increase: CHF 0.1 million) and amounted to CHF 3.3 million as at 31 December 2005. This amount is composed as follows: Holiday and overtime credits of CHF 1.5 million, various wage components of CHF 0.8 million, liabilities to compensation funds of CHF 0.5 million and miscellaneous liabilities of CHF 0.5 million.

26. Accrued expenses and prepaid income

The total accrued expenses and prepaid income of CHF 3.1 million did not change from the prior year. This includes accruals for annual rebates and commissions of CHF 0.9 million, unrealized foreign currency effects of CHF 0.5 million, auditing services and additional costs in connection with the annual report of CHF 0.5 million, an environmental study of CHF 0.5 million, as well as further operating accruals of CHF 0.7 million.

27. Provisions

CHF 000	Guarantees	Restructuring	Foreign currency risk	Holiday and overtime *	Auditing and consulting *	Taxes	Other	Pension liabilities	Deferred taxes	Total
Book value 1.1.2004	10,100	3,915	2,298	440	664	18	1,763	339	2,776	22,313
Formation						6	500	15	1,305	1,826
Utilization	-2,894	-2,270	-1,617	-440	-664	-18	-800			-8,703
Reversal	-6,619	-345					-857			-7,821
Currency translation adjustments							-7	-4		-11
Book value 1.1.2005	587	1,300	681	0	0	6	599	350	4,081	7,604
Formation						223	1,400	12	193	1,828
Utilization						-30	-127			-157
Reversal		-1,300	-681			-6				-1,987
Currency translation adjustments								5		5
Book value 31.12.2005	587	0	0	0	0	193	1,872	367	4,274	7,293

* Due to the introduction of Swiss GAAP FER 23 in 2004, the provisions for holiday and overtime credits are posted as other liabilities since then. The provisions for auditing and consulting services were recognized under accrued items.

The provision schedule shows the total of current and long-term provisions. The provisions for deferred taxes, pension obligations and the other obligations are considered to be long-term provisions. Overall, CHF 6.5 million is attributable to long-term and CHF 0.8 million to short-term provisions.

Total provisions declined by CHF 0.3 million. This reduction arose from the reversal of restructuring provisions (CHF 1.3 million), provisions for foreign currency risks (CHF 0.7 million) as well as the utilization of other provisions (CHF 0.1 million). In 2005, deferred taxes totaling CHF 0.2 million were recognized. The draft amendment to the Environmental Protection Act requires the formation of another provision of CHF 1.4 million. (See also Environment).

The remainder consists of pension provisions (CHF 0.4 million), which solely concern the companies without independent staff pension funds (Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, and Swissmetal Italia s.r.l., Milan).

28. Compulsory stockpile loan (long-term)

CHF 000	31.12.2005	31.12.2004
Compulsory stockpile loan	10,000	11,000
Total long-term interest-bearing loans	10,000	11,000
Of which: with maturities of 1 to 5 years	10,000	11,000
Average interest rate in the years ending on	1.25%	1.00%

In accordance with the agreement, repayment of the compulsory stockpile loan totaled CHF 1.0 million in the year under review. The corresponding agreement with the federal government provides for a repayment of CHF 1.0 million in 2006 as well, and the remaining portion of CHF 3.3 million per year for 2007 – 2009. (See also contingent liabilities and interest-bearing liabilities (short-term))

29. Shareholders' equity

For detailed information, please see the statement of changes in the consolidated shareholders' equity.

Other explanatory notes

30. Equity interests

As at the balance sheet date, the following shareholders hold more than 5% of the capital in UMS Swiss Metalworks Holding Ltd, Berne:

%	31.12.2005	31.12.2004
European Renaissance Fund Ltd (Fund Manager: Arlington Capital Investors Ltd)		> 5.0%
Julius Baer Multistock SICAV (Fund Manager: Julius Baer Investment Funds Services Ltd)		> 5.0%
OZ Bankers AG	> 5.0%	> 5.0%
3V Asset Management AG	> 5.0%	

As at 31 December 2005, OZ Bankers AG and 3V Asset Management AG held more than 5% of the capital in UMS Swiss Metalworks Holding Ltd, Berne. OZ Bankers AG is the only company that held more than 5% of the share capital on both balance sheet dates. All other shareholders listed in 2004 reduced their share ownership to less than 5% of the share capital.

31. Contingent liabilities

CHF 000	31.12.2005	31.12.2004
Guarantee obligations vis-à-vis third parties		
Guarantee liabilities	3,690	1,190
Title restrictions for own liabilities		
Carrying amount of assets	61,512	57,404
Credit facility	16,075	7,500
Compulsory stockpile loan	11,000	12,000
Secured lines of credit	27,075	19,500
Secured lines of credit used	11,000	12,000

Guarantee liabilities were CHF 3.7 million as at 31 December 2005 and were thus CHF 2.5 million above the previous year's value. To secure outstanding debts under the new annual working time model, in 2005 the Swissmetal Group entered into a mortgage agreement on property to the sum of CHF 2.4 million. The remaining CHF 0.1 million is attributable to the increase in the amount guaranteed to the Swiss customs authorities.

The assets used as collateral consist of metals inventories for securing the compulsory stockpile loan, property for securing the mortgage and receivables serving as collateral for the lending bank. The secured line of credit totaled CHF 27.1 million as at 31 December 2005, of which CHF 11.0 million was used for own loans. In addition, guarantees for CHF 7.2 million were given for the company's capital expenditures and business.

Renegotiations conducted with banks during 2005 resulted in an increase in the line of credit, excluding the compulsory stockpile loan, of CHF 7.5 million to a maximum of CHF 20.0 million. Utilization of the line of credit of a maximum CHF 20.0 million requires adherence to certain key financial covenants and includes the normal credit provisions. Of this CHF 20.0 million, CHF 16.1 million was available as at 31 December 2005 because the amount of the loans is dependent upon accounts receivable. (See also Events after the balance sheet date)

32. Financial commitments from operating leases

The future obligations from operating lease agreements are:

Leased assets 2005						Maturity	Total
CHF 000	2006	2007	2008	2009	2010 and later		
Vehicles	361	340	256	185	108		1,250
Total	361	340	256	185	108		1,250

Leased assets 2004						Maturity	Total
CHF 000	2005	2006	2007	2008	2009 and later		
Vehicles	224	214	193	112	66		809
Total	224	214	193	112	66		809

Nine new operating lease agreements were added in 2005.

The total leasing obligation increased by CHF 0.4 million.

33. Off-balance-sheet transactions

2005	Contract value	Valuation at the balance sheet closing rate	Positive (+)/negative (-) replacement value
CHF 000			
Purchase of copper waste	732	1,182	450
Purchase of brass filings	435	593	158
Sale USD	-1,375	-1,478	-103
Total replacement value	-208	297	505

2004	Contract value	Valuation at the balance sheet closing rate	Positive (+)/negative (-) replacement value
CHF 000			
Purchase of crude copper	1,346	1,904	558
Total replacement value	1,346	1,904	558

The contract value is understood to be the total amount underlying the transaction. Transactions open on the balance sheet date are measured at fair value. The positive replacement value is the amount that would be lost upon default by the counterparty. A negative replacement value corresponds to the amount that would be lost to the counterparty upon non-performance.

An accrual was recognized under accrued liabilities for the unrealized loss from forward exchange transactions as at 31 December 2005.

34. Environment

In 2003, Ernst & Young AG, Zurich conducted an extensive review and assessment of the Swissmetal Group's operating and retired assets and locations in Dornach (Canton Solothurn) and Reconvilier (Canton Berne). In connection with this review, environmental risks were assessed and quantified by SIUM Engineering AG (now U-Tech Zaugg), Thun.

Both of the Group's sites are considered to be contaminated. Rehabilitation measures could become necessary upon a change in the intended use or in connection with construction projects. Corresponding costs will also be incurred in connection with the investment in a new press and the associated construction measures.

There has been no ground water contamination found to date. In addition, in coordination with the Canton of Solothurn, the previous ground water monitoring program was renewed in 2005.

For the Dornach site, the environmental impact study is being conducted with the governmental authorities in coordination with and at the request of the Cantons of Solothurn and Basel-Landschaft. A preliminary study has been concluded; completion of the full study, including the resulting measures to be implemented and costs, is expected by the end of 2006.

In addition, the area around the Dornach plant is being analyzed in close cooperation with the environmental authorities of Canton Solothurn and the neighboring Canton Basel-Landschaft, with environmental damage being recorded in a land register as part of the "P3 Project". There are plans to launch a comparable project in Reconvilier, Canton Berne, in 2006.

Based on its current knowledge, in 2004 the Swissmetal Group recognized provisions totaling CHF 0.5 million for environmental measures which may become necessary based on the results of the Dornach environmental impact study. Furthermore, as at the end of December 2005 CHF 0.5 million was set aside under "Accrued expenses and deferred income" for an environmental protection study at the Reconvilier site.

Pursuant to the amendment of Article 32b of the Swiss Environmental Protection Act (Umweltschutzgesetz – USG) pending for the summer of 2006 with respect to the law on contaminated sites, the originator is normally liable for two-thirds of the additional costs of polluted material excavated as part of a construction project, i.e. for the costs of studies and the disposal

of contaminated soil that is necessarily incurred in connection with any building project between 1 July 2006 and 1 July 2021, if the owner acquired the land between 1 July 1972 and 1 July 1997 without monetary compensation for the pollution. Out of prudence therefore, a new provision in connection with polluted material excavated in connection with construction projects in the amount of CHF 1.4 million was recognized in the year under review.

In addition, the sites are being continuously monitored and further risks, which could result in future costs, cannot be excluded.

Swissmetal is involved in voluntary work groups for analyzing and reducing CO₂ emissions, and in this context continually reviews all options for reducing CO₂ emissions, with or without the introduction of control taxes (Lenkungsabgaben).

35. Transactions with related parties

Martin Hellweg, CEO of the Swissmetal Group, purchased 88,000 new shares at a price of CHF 9.00 per share in connection with the capital increase in July 2004. The company's Board of Directors viewed this as an important convergence of the interests of the CEO and the Swissmetal Group. This share purchase is subject to certain restricted periods: 88,000 shares were restricted from being sold until 31 July 2005, 58,000 shares are restricted until 31 July 2006 and 28,000 shares until 31 July 2007. As of 1 August 2007, none of the shares purchased by Martin Hellweg are any longer restricted from being sold. The restricted periods do not apply under certain conditions, in particular in the case of a successful, public takeover of the company or in the case that Martin Hellweg is no longer a member of the Board of Directors. Approximately 50% of the shares' purchase price was paid from Martin Hellweg's own funds and 50% by the Swissmetal Group. The payment by the Swissmetal Group was in exchange for future bonus payments to Martin Hellweg, which was considered appropriate by the Board of Directors. This did not increase Martin Hellweg's total compensation.

Sales with affiliated companies totaled CHF 0.1 million in the year under review and concerned the Ally Management Group, Zurich.

36. Post balance sheet events

The following significant events occurred after the balance sheet date:

On 25 January 2006, the employees of the plant in Reconvilier conducted an illegal strike. As a result, there was no production at this site until 1 March 2006. Pursuant to Swiss GAAP FER, this situation requires an assessment of the impairment at the level of the Reconvilier plant as a cash-generating unit. Based on the impairment test conducted for the entire group and the potential relocation of machines between locations, to date there has been no indication of an impairment at the level of the Reconvilier plant. The situation will be further analyzed in 2006 and adjusted accordingly if necessary.

Swissmetal – UMS Swiss Metalworks Ltd, Berne, acquired Busch-Jaeger Metallwerk GmbH, Lüdenscheid, on 10 February 2006. In 2005, Busch-Jaeger Metallwerk GmbH, Lüdenscheid, had 175 employees and total assets of EUR 17.0 million, and generated gross sales of EUR 43.5 million and an EBIT of EUR 1.4 million (in accordance with the German Commercial Code (HGB)).

Both events are one-time occurrences that affect 2006. They therefore had no additional effect in the present 2005 financial statements under Swiss GAAP FER.

The following consequences resulted from these two events:

The strike resulted in a significant loss of customers, and thus a related decline in sales of products from the Reconvilier site. Consequently, the Reconvilier plant will be operated at a lower capacity. This caused the company to announce the termination of 112 employees on 23 March 2006.

On the one hand, the events in Reconvilier had a negative impact on EBIT; on the other hand, the company undertook major efforts to reduce current assets, which had a positive impact on EBIT.

Overall, the Board of Directors assumes that the strike in Reconvilier will have a negative impact on the Swissmetal Group's profit from operating activities in 2006.

Due to the changed situation and the acquisition of Busch-Jaeger Metallwerk GmbH, Lüdenscheid, the Board of Directors is attempting to refinance the group within due time. Based on discussions with banks, the Board of Directors believes the chances for realizing this refinancing, while not assured, are nevertheless intact.

Report of the Group auditors

to the general meeting of UMS Swiss Metalworks Holding Ltd (Swissmetal Group), Berne

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes/pages 32 to 49) of UMS Swiss Metalworks Holding Ltd (Swissmetal Group), Berne, for the year ended 31 December 2005.

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, 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 Swiss GAAP FER and comply with Swiss law.

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

Without qualifying our opinion, we draw attention to note 36 "post balance sheet events" which describes the main events occurring early 2006, namely the strike in the Reconvilier plant, the acquisition of Busch-Jaeger Metallwerk GmbH, Lüdenscheid, and the required refinancing.

PricewaterhouseCoopers AG
G. Tritschler C. Heitz

Basel, 29 March 2006

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Income statement

		2005	2004
	Notes	CHF 000	CHF 000
Income from subsidiaries	01	0	0
Total operating income		0	0
Operating and administrative expenses	02	-538	-392
Other expenses from subsidiaries		-100	-100
Operating income before depreciation (EBITDA)		-638	-492
Depreciation		0	-1,504
Operating income (EBIT)		-638	-1,996
Financial result	03	729	-2,006
Extraordinary result		15	14,457
Earnings before taxes (EBT)		106	10,455
Taxes	04	-31	-25
Result for the year (EAT)		75	10,430

EBITDA: Earnings before interest, taxes, depreciation and amortization

EBIT: Earnings before interest and tax

EBT: Earnings before tax

EAT: Earnings after tax

Balance sheet

ASSETS		31.12.2005		31.12.2004	
		Notes	CHF 000	%	CHF 000
Current assets					
Cash and cash equivalents		91	0.1	357	0.3
Securities	05	288	0.2	245	0.2
Other receivables	06	2,530	2.2	2,506	2.2
Trade accounts receivable from subsidiaries	07	11,948	10.4	11,568	10.1
Total current assets		14,857	12.9	14,676	12.8
Fixed assets					
Investment in subsidiaries	08	100,025	87.1	100,025	87.2
Total fixed assets		100,025	87.1	100,025	87.2
TOTAL ASSETS		114,882	100.0	114,701	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.2005		31.12.2004	
		Notes	CHF 000	%	CHF 000
Current liabilities					
Trade accounts payable		17	0.0	15	0.0
Other liabilities		0	0.0	14	0.0
Accrued expenses and prepaid income	09	227	0.2	112	0.1
Provisions for taxes		9	0.0	6	0.0
Other provisions	10	587	0.5	587	0.5
Total current liabilities		840	0.7	734	0.6
Total liabilities		840	0.7	734	0.6
Shareholders' equity					
Share capital	11	58,910	51.3	58,910	51.4
General statutory reserves		42,330	36.8	42,330	36.9
Reserve for own shares		2,300	2.0	2,300	2.0
Available earnings		10,502	9.2	10,427	9.1
– Retained earnings		10,427	9.1	–3	0.0
– Result for the year		75	0.1	10,430	9.1
Total shareholders' equity		114,042	99.3	113,967	99.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		114,882	100.0	114,701	100.0

Statement of changes in shareholders' equity

CHF 000	Share capital	General statutory reserves	Reserves for own shares	Available earnings	Total shareholders' equity
Balance as at 1 January 2004	85,000	4,200	2,300	-39,223	52,277
1st capital reduction	-35,020	-4,200		39,220	0
2nd capital reduction	-42,330	42,330			0
Capital increase – tranche A	23,000				23,000
Capital increase – tranche B	28,260				28,260
Result for the year – 2004				10,430	10,430
Balance as at 1 January 2005	58,910	42,330	2,300	10,427	113,967
Result for the year – 2005				75	75
Balance as at 31 December 2005	58,910	42,330	2,300	10,502	114,042

Balance of own shares	31.12.2005	31.12.2004
	Number	Number
	20,000	20,000

Notes to the financial statements

Accounting is pursuant to Swiss law (Swiss Code of Obligations) and the company's Articles of Incorporation.

Notes to the income statement

1. Income from subsidiaries

Income from subsidiaries consists of the normal dividends of Swissmetal – UMS Swiss Metalworks Ltd, Berne. As in the prior year, no dividend was distributed in 2005.

2. Operating and administrative expenses

Operating and administrative expenses of CHF 0.5 million comprise compensation of the Board of Directors including business expenses (CHF 0.4 million) and auditing expenses (CHF 0.1 million).

3. Financial result

CHF 000	2005	2004
Financial income	729	591
Financial expenses	0	-1,957
Refinancing expenses	0	-640
Financial result	729	-2,006

The company generated a financial result of CHF 0.7 million due to an open current account granted by the company to Swissmetal – UMS Swiss Metalworks Ltd, Berne. Financial expenses were reduced to zero, as no debt financing was necessary in the year under review due to the capital increase in July 2004.

4. Taxes

Taxes comprise taxes on capital.

Notes to the balance sheet

5. Securities

Securities amounted to CHF 0.3 million and are composed primarily of the 20,000 own shares. The year-on-year increase is attributable to the price increase from CHF 12.15 (2004 closing price) to CHF 14.25 (2005 closing price).

6. Other receivables

As at 31 December 2005, CHF 2.5 million in other receivables were outstanding. As part of the 2004 refinancing, UMS Swiss Metalworks Holding Ltd, Berne, acquired these receivables from banks as it paid the short-term guarantees made to these banks in connection with the insolvency proceedings of Swissmetal Busch-Jaeger GmbH. The receivables, originally valued at CHF 3.8 million, were depreciated and discounted by 30%.

7. Trade accounts receivable from subsidiaries

As at 31 December 2005, a total of CHF 11.9 million in receivables from Swissmetal – UMS Swiss Metalworks Ltd, Berne, were outstanding.

8. Investment in subsidiaries

Country	Currency	Share capital	Purpose	Equity investment direct in %	Equity investment indirect in %
Switzerland					
Swissmetal – UMS Swiss Metalworks Ltd, Berne	CHF 000	50,000	Production facility	100	
Germany					
Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen	EUR 000	260	Trading company		100
Italy					
Swissmetal Italia s.r.l., Milan	EUR 000	10.4	Trading company	80	

The portfolio changes (at book values) over the last two years were as follows:

CHF 000	UMS Ltd	SMTI	SMTF	SMHC	Total
Balance as at 1 January 2004	100,007	18	0	1,504	101,529
Depreciation 2004				-1,504	-1,504
Balance as at 31 December 2004	100,007	18	0	0	100,025
Depreciation 2005					0
Balance as at 31 December 2005	100,007	18	0	0	100,025

The investment in subsidiaries Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town were written off with the financial statements as of 31 December 2004, as the companies were being wound up (already concluded).

9. Accrued expenses and prepaid income

Accrued expenses and prepaid income totaled CHF 0.2 million and consist of accruals for Board of Directors fees and auditing fees.

10. Other provisions

The provisions take into account all recognizable and measurable risks. They remain unchanged from the prior year at CHF 0.6 million and concern a subsequent charge from the dissolved consolidated tax group in Germany.

11. Share capital

Share capital is fully paid-in and divided into 6,545,556 bearer shares with a par value of CHF 9.00 per share. (See also corporate governance, Section 2)

UMS Ltd: Swissmetal – UMS Swiss Metalworks Ltd, Berne

SMTI: Swissmetal Italia s.r.l., Milan

SMTF: Swissmetal France S.A.S., Montreuil

SMHC: UMS Cayman Ltd, George Town

Other explanatory notes

12. Contingent liabilities

CHF 000	31.12.2005	31.12.2004
Guarantee obligations vis-à-vis third parties		
Guarantee liabilities	0	8,000

CHF 000	31.12.2005	31.12.2004
Assets assigned to guarantee own obligations		
Shares in Swissmetal – UMS Swiss Metalworks Ltd, Berne (nominal value CHF 42.0 million)	0	0

As at 31 December 2004, there was a guarantee obligation of CHF 8.0 million that serviced one of the credit facilities made available to Swissmetal – UMS Swiss Metalworks Ltd, Berne. As this loan agreement was terminated in 2005 and was replaced by a new agreement, this surety obligation was reversed.

13. Treasury stock

On 1 July 1996, 20,000 shares of UMS Swiss Metalworks Holding Ltd, Berne, were sold at a price of CHF 115.00 per share. The special reserve for own shares totaling CHF 2.3 million was set up in accordance with statutory provisions and charged against net unappropriated profits from 1995. The shares are recognized at the year-end price of CHF 14.25 per share (previous year: 20,000 shares at a price of CHF 12.15). The change in value was recognized in income. (See also financial result)

As of 31 December 2004, Group Management held a total of 8,300 options, of which 1,000 were exercisable no later than April 2005, and 7,300 no later than June 2005 at a price of CHF 125.00. All options expired as of 30 June 2005. No options remained open as of the end of 2005.

14. Post balance sheet events

The following significant events occurred after the balance sheet date:

On 25 January 2006, the employees of the plant in Reconvilier conducted an illegal strike. As a result, there was no production at this site until 1 March 2006. Pursuant to Swiss GAAP FER, this situation requires an assessment of the impairment at the level of the Reconvilier plant as a cash-generating unit. Based on the impairment test conducted for the entire group and the potential relocation of machines between locations, to date there has been no indication of an impairment at the level of the Reconvilier plant. The situation will be further analyzed in 2006 and adjusted accordingly if necessary.

Swissmetal – UMS Swiss Metalworks Ltd, Berne, acquired Busch-Jaeger Metallwerk GmbH, Lüdenscheid, on 10 February 2006. In 2005, Busch-Jaeger Metallwerk GmbH, Lüdenscheid, had 175 employees and total assets of EUR 17.0 million, and generated gross sales of EUR 43.5 million and an EBIT of EUR 1.4 million (in accordance with the German Commercial Code (HGB)).

Both events are one-time occurrences affecting 2006. They therefore had no additional effect in these 2005 financial statements under Swiss Code of Obligation.

The following consequences resulted from these two events:

The strike resulted in a significant loss of customers, and thus a related decline in sales of products, from the Reconvilier site. Consequently, the Reconvilier plant will be operated at a lower capacity. This caused the company to announce the termination of 112 employees on 23 March 2006.

On the one hand, the events in Reconvilier had a negative impact on EBIT; on the other hand, the company undertook major efforts to reduce current assets, which had a positive impact on EBIT.

Overall, the Board of Directors assumes that the strike in Reconvilier will have a negative impact on the Swissmetal Group's profit from operating activities in 2006.

Due to the changed situation and the acquisition of Busch-Jaeger Metallwerk GmbH, Lüdenscheid, the Board of Directors is attempting to refinance the group within due time. Based on discussions with banks, the Board of Directors believes the chances for realizing this refinancing, while not assured, nevertheless remain intact.

Proposal of the Board of Directors

Based on statutory provisions and the company's Articles of Incorporation, the Board of Directors proposes to the General Shareholders' Meeting to utilize the available earnings as follows:

CHF 000	
Retained earnings from previous years	10,427
Result for the year – 2005	75
Available earnings to the General Shareholders' Meeting	10,502
Proposal of the Board of Directors regarding the utilization of the available earnings	
Carry-forward to new account	10,502

For the Board of Directors
Chairman: F. Sauerländer

Berne, 29 March 2006

Report from the statutory auditors

to the general meeting of UMS Swiss Metalworks Holding Ltd, Berne

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes/pages 52 to 57) of UMS Swiss Metalworks Holding Ltd, Berne, for the year ended 31 December 2005.

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.

Without qualifying our opinion, we draw attention to note 14 "post balance sheet events" which describes the main events occurring early 2006, namely the strike in the Reconvilier plant, the acquisition of Busch-Jaeger Metallwerk GmbH, Lüdenscheid, and the required refinancing.

PricewaterhouseCoopers AG
G. Tritschler C. Heitz

Basel, 29 March 2006

Heinz P. Langendorf

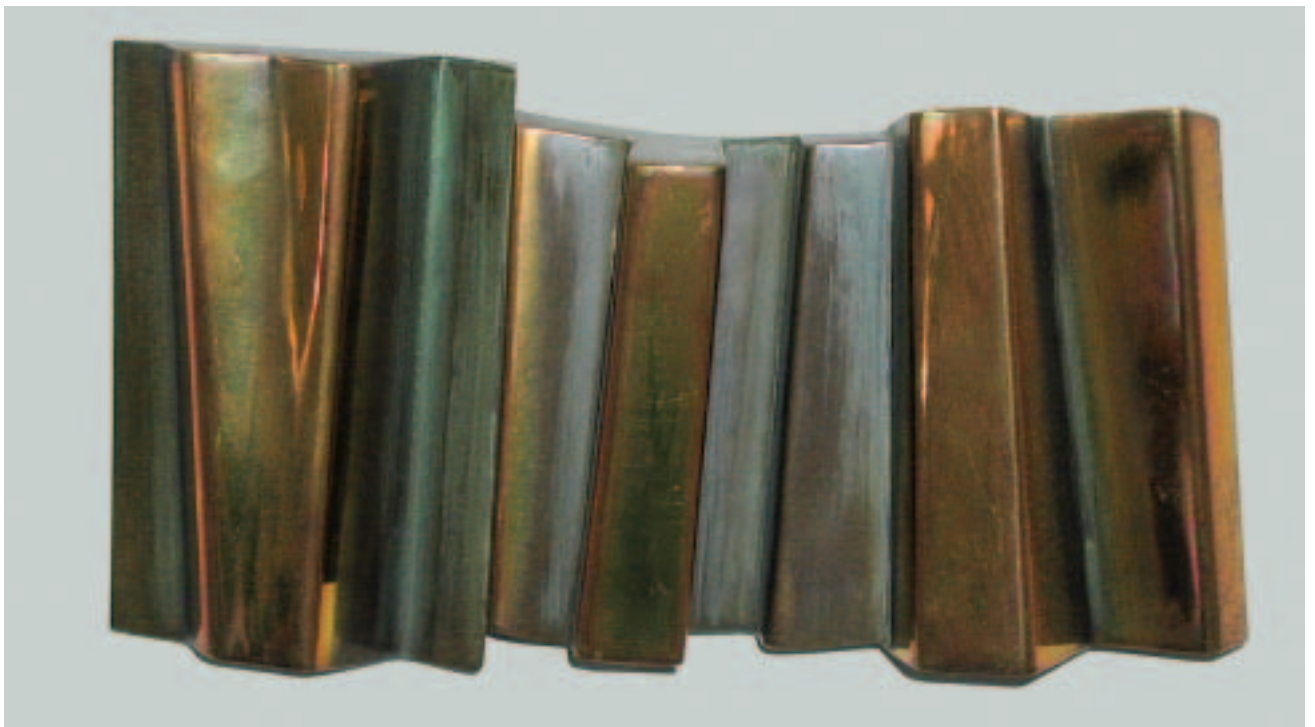
Born 17 January 1944, Heinz P. Langendorf grew up in Riehen and joined the window and façade contractor Akuba AG in Muttenz after completing vocational training. It was there that he initially worked in the wood and metal window construction department before transferring to project planning. His duties included monitoring the progress and work quality at the job sites assigned to him.

When Akuba AG became insolvent in spring 1974 in consequence of the first major crisis in the construction industry, Mr Langendorf applied to the company today known as Swissmetal. He was responsible for product cost accounting as a basis for compiling work plans.

At his own request, he transferred a few years later to the sales department, where his in-depth knowledge won him an assignment to the section dealing in special products and specialties (e.g. superconductors). He achieved notable successes: a major order for 56 tonnes of superconducting wires for the German Electron Synchrotron (DESY) in Hamburg – a joint project with today's ABB – kept the Dornach wire drawing plant running at capacity for several months. Swissmetal introduced Conform extrusion in the Wendelstein 7-X Fusion project for the Max Planck Institute in Garching. As product manager, Mr Langendorf also advises architects and steel construction engineers on the production of window and façade moldings.

During his training at vocational school, Mr Langendorf developed an interest in art, leading him to contact with artists such as Jean Tinguely.

He has also always counted photography and video among his hobbies, leading to a sideline as court photographer for Swissmetal. About twelve years ago, he became an active artist, producing sculptures from metals and other materials. Since then he has produced a number of works in his spare time. His wife helps him select pieces of scrap and other objects which he uses to create his sculptures.



UMS Swiss Metalworks Holding Ltd

Weidenstrasse 50
4143 Dornach 1 · Switzerland
Phone +41 61 705 36 36
Fax +41 61 705 36 10
contact@swissmetal.com
www.swissmetal.com

Swissmetal –**UMS Swiss Metalworks Ltd**

Weidenstrasse 50
4143 Dornach 1 · Switzerland
Phone +41 61 705 36 36
Fax +41 61 705 36 10
contact@swissmetal.com
www.swissmetal.com

Swissmetal Boillat

Grand-Rue 6
2732 Reconvilier · Switzerland
Phone +41 32 482 04 82
Fax +41 32 482 01 16

Swissmetal Dornach

Weidenstrasse 50
4143 Dornach 1 · Switzerland
Phone +41 61 705 33 33
Fax +41 61 705 34 51

Busch-Jaeger Metallwerk GmbH

Altenaer Strasse 109
58507 Lüdenscheid · Germany
Phone +49 23 51 181 0
Fax +49 23 51 181 209

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Investor Relations

Yvonne Simonis · CFO
Weidenstrasse 50
4143 Dornach 1 · Switzerland
Phone +41 61 705 36 36
Fax +41 61 705 36 10
investor@swissmetal.com

This Annual Report is available in the original German along with English and French translations. In all matters of interpretation, the original German version shall prevail.

