

A microscopic view of a copper crystal lattice, showing a complex network of interconnected, irregularly shaped grains. The grains are light blue-grey in color, with dark, thin lines representing grain boundaries. The overall structure is dense and interconnected, with some grains appearing larger than others. The background is a uniform, light blue-grey color.

SWISSMETAL

Precision in Copper

Is there anyone who suspects that there are hidden beauties within our copper alloys? Probably not the builder who assembles profiles for a piece of architecture, the person at the cutting machine, the electrical engineer who connects their switches or the end user of a pen or a mobile phone.

Nevertheless, with a little patience and technology, metals reveal their secrets to us. Sawing, polishing and etching, a good optical microscope and there you are, shapes and colours appear as if by magic. Phases, precipitates, polarized light and interference contrast – let's leave this jargon to the specialists. For the reader of this annual report, there's always the magic of images.

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KEY FIGURES: A FIVE-YEAR OVERVIEW

Consolidated Group (CHF million)	2007 ³	2006 ³	2005 ¹	2004 ¹	2003 ¹
Gross sales	407.0	357.6	198.3	204.8	170.6
· of which sales of third-party trade products	26.4				
Net sales	394.3	343.7	190.4	195.1	162.5
Gross added value sales (plants)*	126.1	118.0	103.5	117.7 ²	103.5
Gross margin**	148.5	141.1	109.2	118.4	100.8
Operating income before depreciation (EBITDA)	28.6	27.6	16.0	20.2	12.4
Operating income (EBIT)	14.5	10.2	3.4	8.4	1.0
Result for the year (EAT)	11.4	4.6	3.3	17.7	-6.9
Total assets	236.9	219.1	162.8	162.1	144.9
Current assets	147.8	129.3	94.8	99.1	80.7
Fixed assets	89.1	89.8	68.0	63.0	64.2
Short-term liabilities	52.0	57.9	22.9	27.7	73.7
Long-term liabilities	45.3	34.9	16.5	15.9	18.5
Shareholders' equity	139.6	126.3	123.4	118.5	52.6
Cash flow from operating activities	8.1	33.1	21.1	-4.6	11.2
Capital expenditures	19.3	28.4	15.5	11.2	9.4
Headcount (annual average in full-time equivalents)	801	879	768	807	755
Net financial liabilities (+) / assets (-)	21.6	9.7	-2.4	4.3	41.1
Share price as at 31 December (CHF) ⁴	27.4	26.9	14.3	12.2	24.5
Highest share price (CHF) ⁴	32.0	29.0	16.7	26.6	25.2
Lowest share price (CHF) ⁴	19.7	14.3	12.3	9.9	14.0
Earnings per share (EPS; CHF)	1.7	0.7	0.5	2.7	-8.1
Market capitalization as at 31 December ⁴	181.5	176.1	93.3	79.9	20.8

* Gross added value sales: Gross sales less metal at standard metal costs (production plants)

** Gross margin (for years according to Swiss GAAP FER): Net sales less cost of materials and changes in inventory

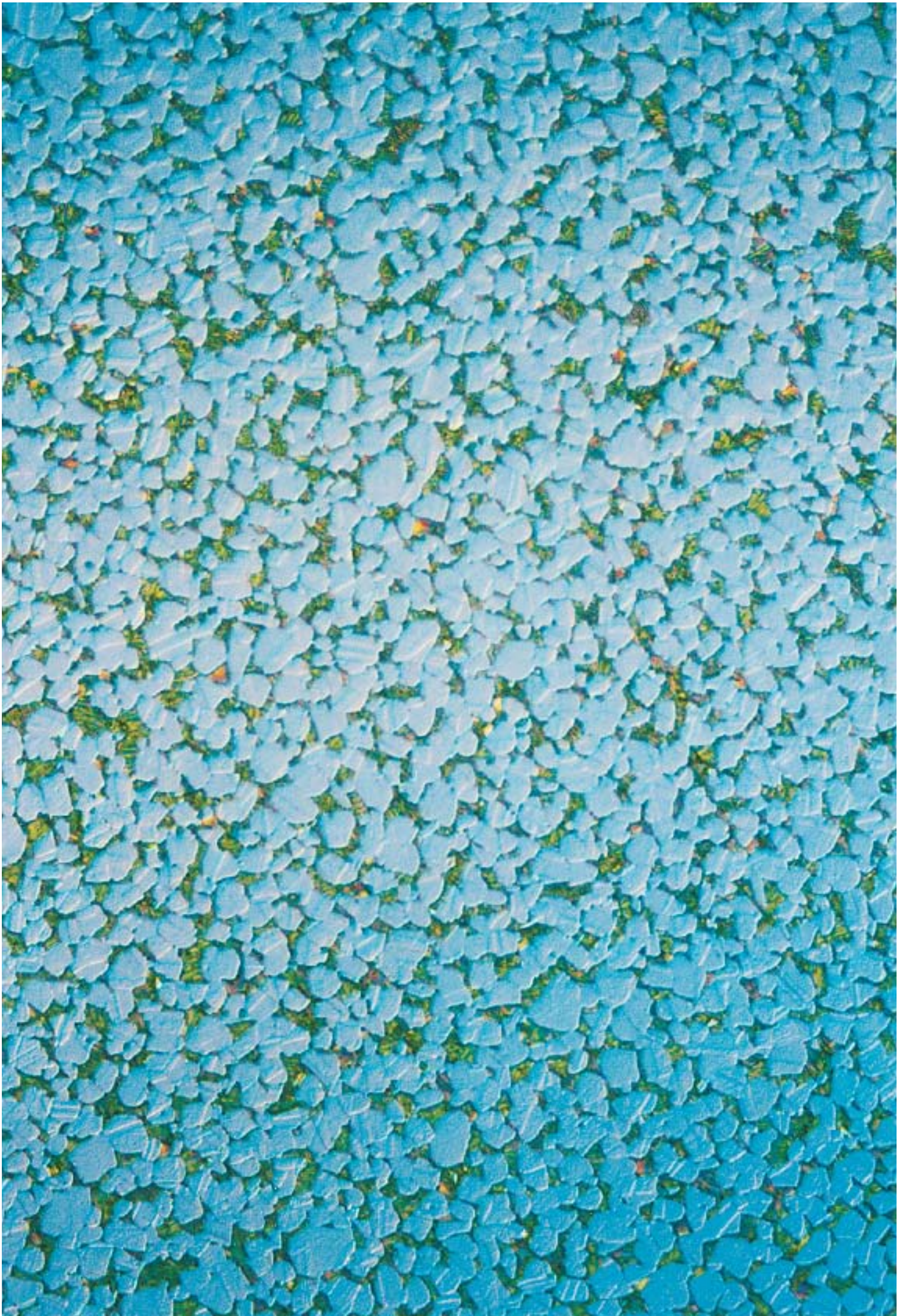
¹ Excluding Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen

² Due to the change in the definition of gross added value sales in 2005, the value for 2004 was adjusted from CHF 114.0 million to CHF 117.7 million.

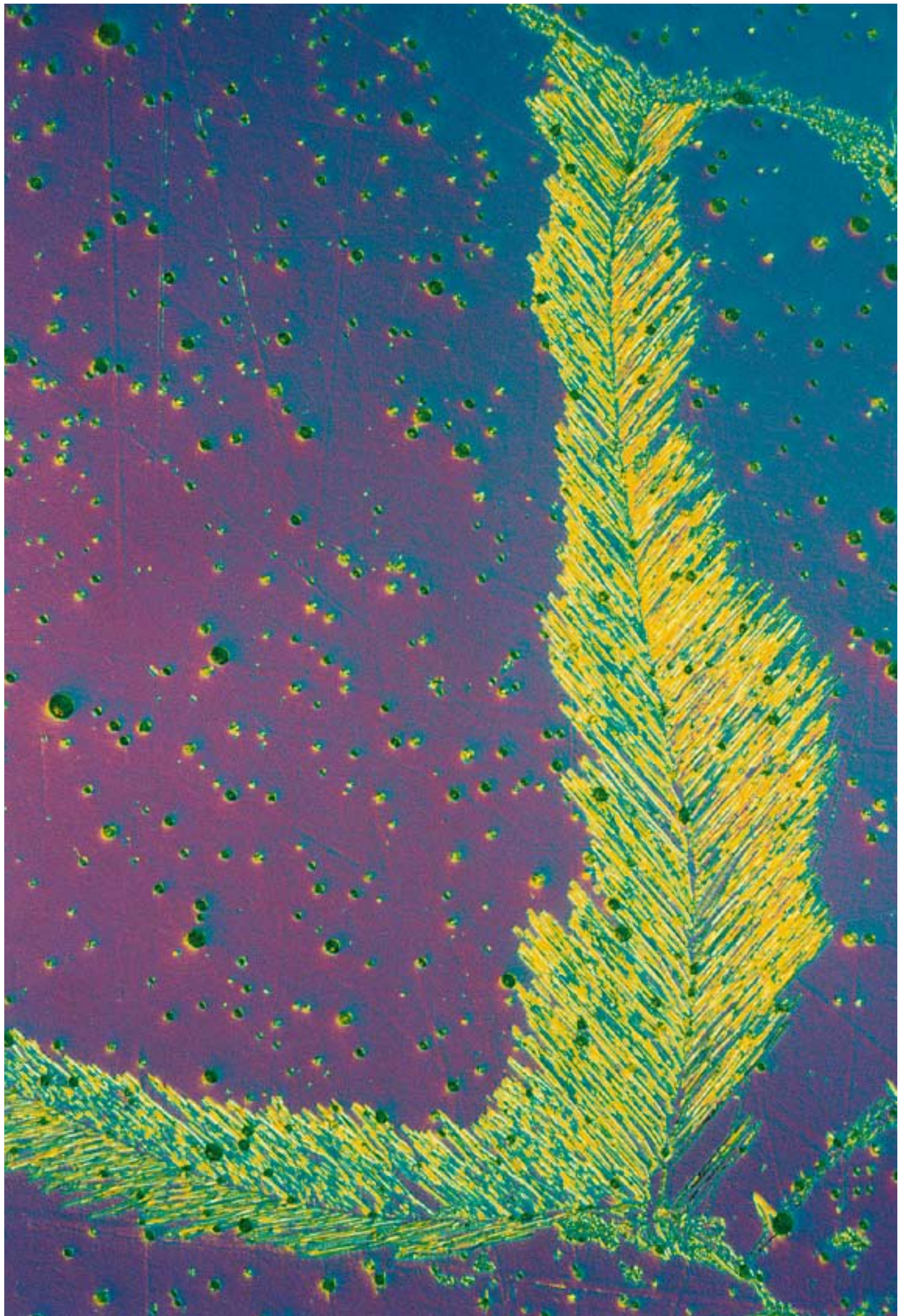
The value from the previous year has been retained.

³ Important changes: including Swissmetal Lüdenscheid GmbH, Lüdenscheid, since February 2006, and Avins Industrial Products Corp., Warren/NJ, since January 2007

⁴ On 12 July 2004, UMS Swiss Metalworks Holding Ltd, Dornach, was refinanced through a capital decrease in the form of a reduction in the par value per share from CHF 100 to CHF 9, and a subsequent capital increase. The share prices preceding this date correspond to those published by the SWX Swiss Exchange, adjusted for the recapitalization factor.



LEADED FREE MACHING BRASS, MAGNIFICATION 100x



LEADED TWINPHASE BRASS OUT OF EQUILIBRIUM, MAGNIFICATION 500x

SHARE PRICE PERFORMANCE



Dear customers, employees, shareholders
and business associates,

Swissmetal has a long, often turbulent history and a strong tradition. The Group has known difficult times in recent years. Now, looking back at the completed financial year 2007, we are pleased to report progress on a new path to the future. We have successfully accomplished the key tasks of our restructuring process. The strategic repositioning of the enterprise is fully underway. We have entered new fields of activity such as our trade business. We are motivated and inspired by the growth prospects created by exciting new product developments.

These achievements would not have been possible without a steadfast adherence to the values handed down from Swissmetal's past, values we will continue to honor into the future – above all, our company's high level of technical expertise and innovative capacity. By themselves, however, these values would not have sufficed to enable Swissmetal to make a new start as a successful enterprise. As the legendary business leader Jack Welch once said, "Change before you have to." For a long time Swissmetal refused to change, but we ultimately found we had to. The banks that once financed our business called in their loans in late 2002. In the summer of 2004 we successfully undertook a major capital increase in order to refinance the Group and carried out important changes and capital investments, of which the most important was a new extrusion press. We were able to do this because we had a clear idea of how our business should be restructured and reoriented for the future, a "concept of change".

Since the refinancing in 2004, old and new shareholders, a new Board of Directors and a new management team have worked together to bring the Swissmetal Group into a successful future, with a coherent strategy and a clear industrial business model. Much hard work was done, with numerous meetings, studies and analyses and contributions from many specialists, both in-house and from their respective industries. Since then we have experienced much movement and many changes. All this work has laid a foundation that will now allow us to open a new chapter, a chapter of sustained, profitable growth.

Looking back, we see that the road that brought us here has not been an easy one. We have overcome enormous difficulties. There have been sharp conflicts over the reengineering of work processes and production facilities and the restructuring of many jobs. But thanks to the teamwork and fierce dedication, at times to the very limits of the possible, of the great majority of our employees at all levels and all locations, we have succeeded in embarking on this journey and turning our plans into reality.

Just recently, with employees from all our locations along with customers, investors, bankers and other business associates, we celebrated the dedication of our new extrusion press. This major capital investment represents a milestone, perhaps the most important one, in the renovation of our production facilities. The new press is a giant step forward, giving us the state-of-the-art technology to achieve the maximum quality and efficiency in making our products. The press will keep us competitive in fiercely contested markets. Indeed, this new press is what gives us the ability to produce certain promising new products at all.

In the new future opening up for us since the end of 2007, three points are of central importance:

We seek to be competitive in all territories, in all lines of business, in everything we do. We wish to produce first-class products that contribute to the first-class status of our customers. We wish to be the best specialists – and this means every one of our employees. Each individual has much to contribute in their respective job, including their contribution to negotiating constant change. Our industry is in an upheaval around the world. We must have the ability to continually and dynamically adapt and change.

We seek to grow. Until now, we have put our attention on and drawn our motivation from the past and there has been much to put in order, from here on out we no longer look back, but ahead. On the basis of our highly effective and efficient structures, we wish to put the collective knowledge and experience of Swissmetal to use in achieving growth through high-quality speciality products. Our ability to innovate will be a key factor. Innovation can provide replacements for the vanishing markets that exist for an enterprise with production in Europe at the end of its life cycle. Innovation can bring new growth and, not least, create new development opportunities for our employees.

We seek to succeed together. In the past we have learned what happens when production sites work at cross-purposes. The past financial year has shown us how much better things go when everyone is working together, helping each other, comparing experience and exchanging knowledge and working for the good of the Group as a whole. All this has led to enormous progress in 2007, culminating in the celebration of the dedication of our new extrusion press as noted above. Never before in the history of our company have employees from all locations come together for such a celebration. This is what we want our future to look like: a single, big integrated community – one enterprise with one common purpose.

Just before writing this Annual Report we completed the revision of our Group Strategy. No major changes were made. The strategy finalized and announced in 2005, which defined the cornerstones of Operational Excellence, Industrial Consolidation and Asia Strategy, already encompassed much of what will make us a sustainably profitable and growing enterprise. Moreover, our strategic planning process is already based on steadily refining our business plan, so that change becomes an ongoing thing. Nevertheless, from time to time a fundamental review and possibly major revision of the strategy is called for. We present the conclusions from this review on page 11 of this Annual Report.

We have proceeded down the path of change with determination and without slowing down. We will continue to undertake further forward-looking projects with a view to implementing the vision of the Swissmetal Group. It is a readiness to innovate, commitment and flexibility on the part of all our employees and business associates that has made these accomplishments possible. We owe them our thanks for their dedication and hard work!

Sincerely yours,

J. Friedrich Sauerländer
Chairman of the Board
of Directors

Martin Hellweg
CEO and Member of
the Board of Directors





UNLEADED BRASS, MAGNIFICATION 200x

Every year we report at this point on the strategic development of the Swissmetal Group, which continues to be based on the three main pillars of operational excellence, industrial consolidation and our Asia strategy. However, good progress was also made in various other important strategic areas over the last twelve months. Foremost among them was innovation, with our SolarTiles project arousing great expectations in the construction industry, and the establishment of our trading business, which operates under the global Avins brand.

Operational excellence On 19 January 2008 we officially dedicated our new extrusion press in its new factory building. The press is the flagship of the central hot forming (casting and extrusion press) facility at our Swiss sites in Dornach, which we publicly announced at the end of 2005 and which is now largely completed. The new press will allow us to shut down six old presses at Dornach and Reconvilier. Dornach has been supplying Reconvilier with extruded rod since the end of 2007. In the first quarter of 2008 we shut down the two extrusion presses at Reconvilier, consolidated our cold forming equipment and emptied and closed down one of the two factory buildings at Reconvilier. It is thus no longer necessary to transport materials between the two factory buildings, which are sited 500 metres apart. This, allied with the hugely improved materials flow in the newly outfitted and renovated factory building in the center of Reconvilier, has improved efficiency substantially. The results of the process of transformation that we have been driving forward for several years will become largely apparent in 2008.

However, production improvements are not only the result of these large, highly visible projects and milestones, a large number of smaller projects at all three production sites are contributing to operational excellence. Exchanging skilled personnel and intensifying inter-site collaboration are the key to these successes because they capitalize and augment our collective know-how. Product groups have been transferred at several places to maximize specialization and site capacity management. Furthermore, a number of small and medium-sized items of production equipment were either shut down or relocated to different sites to create potential synergies. Steps such as these enable Swissmetal to further maximize productivity, punctuality of delivery and quality.

The implementation of Swissmetal's industrial concept and the associated shut-down of various older items of production equipment, the amalgamation of the Reconvilier plants and the increased focus on producing sophisticated, top-of-the-range industrial products that create significantly higher value from lower tonnages necessitated wide-ranging staff restructuring measures in 2007. Thanks to careful preparation with Swissmetal's social partners, transparent communication and generous flanking measures – most notably a redundancy scheme – the necessary job losses were well accepted by the workforce under the circumstances. The company now has the headcount required by its industrial concept – one that is appropriate for three modern European speciality plants capable of working together efficiently.

Industrial consolidation Following on from the acquisition of the former Busch-Jaeger Metallwerke GmbH, Lüdenscheid, Germany, and Avins Industrial Products Corp., Warren/NJ, USA, in 2006, various ways of achieving greater consolidation were again examined in 2006. Today this search is no longer confined to Europe but also extends to Asia and North America. Our aim is not just to round out our product range and technology portfolio, but above all to improve our position in the global markets for sophisticated speciality products. However, any step of this kind must be carefully thought through, and none of the potential acquisitions investigated in 2007 satisfied our strategic criteria. Nevertheless, Swissmetal is continuing to monitor the market closely and will not hesitate when an opportunity for consolidation arises that will bring the company genuine strategic benefits.

On 5 March 2008 we signed an agreement to acquire our longstanding customer RM Precision Swiss Inc., of Las Vegas, Nevada, USA, with the company's owner. The transaction will be closed during 2008 once the normal requirements have been satisfied. RM Precision Swiss is a highly specialized producer of copper alloy precision parts for technical applications and one of the main pillars of our North American connector business, especially in the aviation sector. The acquisition of RM Precision Swiss will enable Swissmetal to grow in these areas, strengthen its presence in North America and quickly realize potential synergies. RM Precision Swiss has grown rapidly over recent years and Swissmetal is able to finance its continued growth.

Asia strategy Last year we came a major step closer to achieving our goal of having our own production facility in Asia. The solution is now starting to take tangible form. Our explorations to date and the fact finding undertaken last year have clarified two points. Firstly, India has definite advantages over China. After consideration of the many pros and cons, the strongest argument in favor of India is its established and flourishing ballpoint pen tip business. This is an area where we are the market leader and a foundation on which we intend to build. Secondly, we will divide the investment process into two stages. To begin with, we will simply establish cold forming activities by installing relatively small and mobile items of equipment, many of which can be shipped out from our European plants without the need for new purchases. Only then will we turn to the significantly more investment-intensive area of hot forming. Here again, we have a redundant plant in Switzerland that we can relocate to India.

At the time of going to press, it is still too early to make any concrete announcement, but we hope to be able to do so shortly.

Avins global trading brand In 2007, all the Swissmetal Group's sales and distribution activities were outsourced to the national Avins companies that are now well established in all Swissmetal's important core markets. As a result, customers are now able to purchase products from Swissmetal and other manufacturers around the world from a single source.

The Swissmetal Group's trading activities enable it to offer its customers an even more complete product range and to accelerate the process of focusing its own plants on technically sophisticated products with a correspondingly high added value. The neutral Avins brand gives the sales organization the independence it needs to sell other manufacturers' products. The trading business gives the international sales organization the additional business volume it requires to establish critical mass in key markets and to penetrate these markets. Moreover, the trading business has contributed healthy profits in the last two financial years. Swissmetal is investing the necessary resources in this growing business. One example of this investment is the tool developed in 2007 to improve sales control, which includes a 12-month rolling forecast in addition to the typical customer relationship management functions. This tool provides the latest information and best available estimates of market trends for production and corporate planning.

New growth horizons with the SolarTiles project

Swissmetal delivered particularly impressive proof of its innovative capabilities in 2007 by developing a product for use in applications well outside its traditional markets – the SolarTiles project. Read more on page 14 of this Annual Report.

At the start of the 21st century, a trend towards shorter product life cycles was apparent in semi-finished products in the non-metals industry, making a more constant market presence with leading innovations or substitute products a necessity. This situation is a result of the great abundance of interchangeable alloys and standard products available. Against this background, Swissmetal took an unconventional approach to innovation projects in 2007, one intended to shorten project timetables and reduce the time needed to bring new products to market. Several projects were subsequently restructured and their objectives redefined, and the resources freed up by these changes were allocated to other, higher-priority projects.

The main focus of our innovation work is on developing the heavy-duty alloy CN8, which will be used in a new product range for the aviation industry. Swissmetal's primary aim with this product is to enhance its image among major global industry clients as a producer of quality, precision high-tensile alloys and to gain certification for these products. The original plan called for qualification in 2007. Unexpected technical issues have led to delays in the process and to the realization that success with this product range will depend on the new, more efficient extrusion press. Swissmetal will therefore seek qualification for products made from CN8 alloy in the coming year 2008.

In addition to the CN8 aviation project, Swissmetal also launched a support project to meet the aviation industry's requirements for aluminum bronzes. These aluminum bronze requirements exceed the product specifications previously expected by customers for other solutions. There is also strong interest in this high-tensile material in other industries such as the petroleum industry, making it a strategically valuable project for Swissmetal.

Swissmetal is making promising progress in other disciplines as well, such as the development of small copper hollow sections for use in electrical engineering. Today Swissmetal is the only supplier in the world with the ability to produce small hollow sections in long lengths without troublesome welding seams. For processors and end-users of these products, the lack of seams represents a substantial assurance of dependability in daily operation. These successes in innovation, research and development provide Swissmetal with confidence in its ability to create a continuing stream of innovative new products and services in this crucial discipline.

9 January 2007 saw the start of work to implement a new idea which would take shape over the next eleven months. The project, given the working name SolarTiles, promises to open new opportunities for Swissmetal and has received strong support from all of the company's top leadership bodies.

The starting point was the peculiar properties of an alloy originally developed by Swissmetal for architectural applications such as facades and window frames. Bridging the conceptual gap from window frames to roofing tiles seemed a small step at first, but eventually gave rise to the prospect of replacing familiar solar panels with technically elegant, visually appealing metal roof tiles. These flat tiles made of Swissmetal's Dorna-A alloy are used as a mechanical and visual replacement for traditional roofing tiles and are designed and optimized as heat conductors, channelling thermal energy to heat pumps in heating systems. Given suitable operating conditions, ambient air, wind, rain and sunlight can provide a flow of heat from the building's exterior environment to its interior.

The outstanding design potential of SolarTiles offers entirely new ways to meet sophisticated architectural challenges. SolarTiles are equally suited for installation on protected historical buildings or new construction. They open new markets not previously available for conventional heat pump systems.

The combination of intelligent product design with highly profitable functionality makes SolarTiles an entirely new category in this product segment. For Swissmetal, SolarTiles represent not just a new product line, but also a novel challenge. For the first time in the company's history, the product is a system component for end-users and aftermarket buyers, not a semi-finished element for manufacturers. This has required close collaboration with existing and new Swissmetal customers, a situation that has allowed a highly effective network of capabilities for the production of SolarTiles to evolve.

The first production batch was installed in a proof-of-concept field trial in Stuttgart in November 2007. Since then a group of qualified engineers and experts from various universities and government agencies has been working on the further development and fine-tuning of the concept with a view to establishing a new industry standard and best practice. Series production of SolarTiles is scheduled to start in the third quarter of 2008. Already in late 2007 it was apparent that the flexible, high-performance extrusion press at the Dornach plant would be essential in the mass production of SolarTiles.

In parallel with these technical developments, a separate legal entity called Swissmetal Design Solutions Ltd, Dornach, was established in 2007 with the objective of bundling the capabilities needed to become a major new supplier of innovative design solutions and energy management in architecture and, not least, to generate lasting demand for Swissmetal's production capacity.

Implementation of the Group-wide traded products strategy was a high priority in 2007. Building on the successful Avins trading division, a worldwide distribution organization with a functioning network was built up under the protected Avins trademark. With the establishment of this organization, Swissmetal began operations as a reseller of products and services in the major regional markets of Switzerland, Germany, France, Italy, the United States, China and India.

Avins Industrial Products Corp. of Warren, New Jersey, acquired by Swissmetal in early 2007, has become a highly effective unit within Swissmetal's international corporate structure. In 2007 Avins Industrial Products Corp. saw sales growth of 13%, well above the industry average. This growth was based on a well-balanced increase in sales of both Swissmetal products and third-party products purchased for resale from strategic partners.

The restructuring of the former distribution and marketing organization is now complete, and the Avins Group has successfully assumed the role of international distribution team for Swissmetal products. The distribution units in the regional markets are supported worldwide by Swissmetal Technical Marketing and Swissmetal Sales Support.

Thanks to the new positioning of the distribution team in the regional markets and closer proximity to the customer, Swissmetal is better placed than ever to understand customer needs, recognize opportunities, identify profitable market trends and effectively channel competitive pressures into distribution activities. The international supply chain network is being upgraded in a customer-friendly fashion to support just-in-time delivery.

The steadily growing community of strategic partners in the international Avins network is promising. The strategic partners value the outstanding combination of a dedicated, well-positioned, technically well-equipped and capable distribution team with a lean distribution organization and the opportunity of access to an attractive and diverse customer base. The Avins Group producer network will continue to accept new interested partners going forward.

To take full advantage of this opportunity, Swissmetal is continually developing its special product line as a commercial product in order to offer a complete assortment of precision semi-finished goods in an ever-expanding range of high-performance alloys. The special product line enhances both the variety of available products and the quality of customer solutions. It is not only long-time customers who appreciate these improvements, rewarding Swissmetal with trust in the innovations our company provides and wide-ranging inquiries concerning our products and services. Today Swissmetal customers enjoy "one-stop shopping" and value the high efficiency of working with Avins.

Moreover, Swissmetal has steadily worked to uniquely shape and position the Avins organization to take advantage of current and future market conditions in the major regional markets. This is illustrated by two current examples: 1) The organization makes it possible to focus on distribution activities in regions with growth potential. 2) Swissmetal is well-equipped for worldwide sourcing and is enhancing its competitiveness by entering into new partnerships.

Practically all targets were met in 2007, validating Swissmetal's traded products strategy. Near-future plans call for the Avins teams to intensively develop the Asian market and carefully prepare Swissmetal for the upcoming launch of our distribution companies Avins India and Avins Far East (China).

A foundry and an extrusion press plant were in operation at each of the Swissmetal facilities (Dornach, Reconvilier and Lüdenscheid), producing all semi-finished products for Swissmetal customers on seven extrusion presses. These machines entered service between the years 1935 and 1996. The most modern machine is currently operating at Lüdenscheid, where it is set up exclusively for the production of wire and bars (round and profile, between 3 and 25 mm). The presses in the Swiss plants were mostly specialized in the production of wire drawing stock (Reconvilier), whereas the others were capable of producing a variety of completely different products. This is reflected in the broad range of products supplied by the Dornach facility, for example, i.e. copper and copper alloys (brasses, bronzes and nickel silver) in the form of tubes, bars, simple and complex profiles, strips and wires – semi-finished products in practically any conceivable form were produced on our extrusion presses.

After a long service life, these presses had reached an age where they were no longer adequately and economically able to meet rising product expectations and quality demands (ISO), an indispensable factor for our competitiveness. Our customers were requesting ever more complex product specifications, faster delivery and innovative materials. Swissmetal made the right decision in modernizing this machinery.

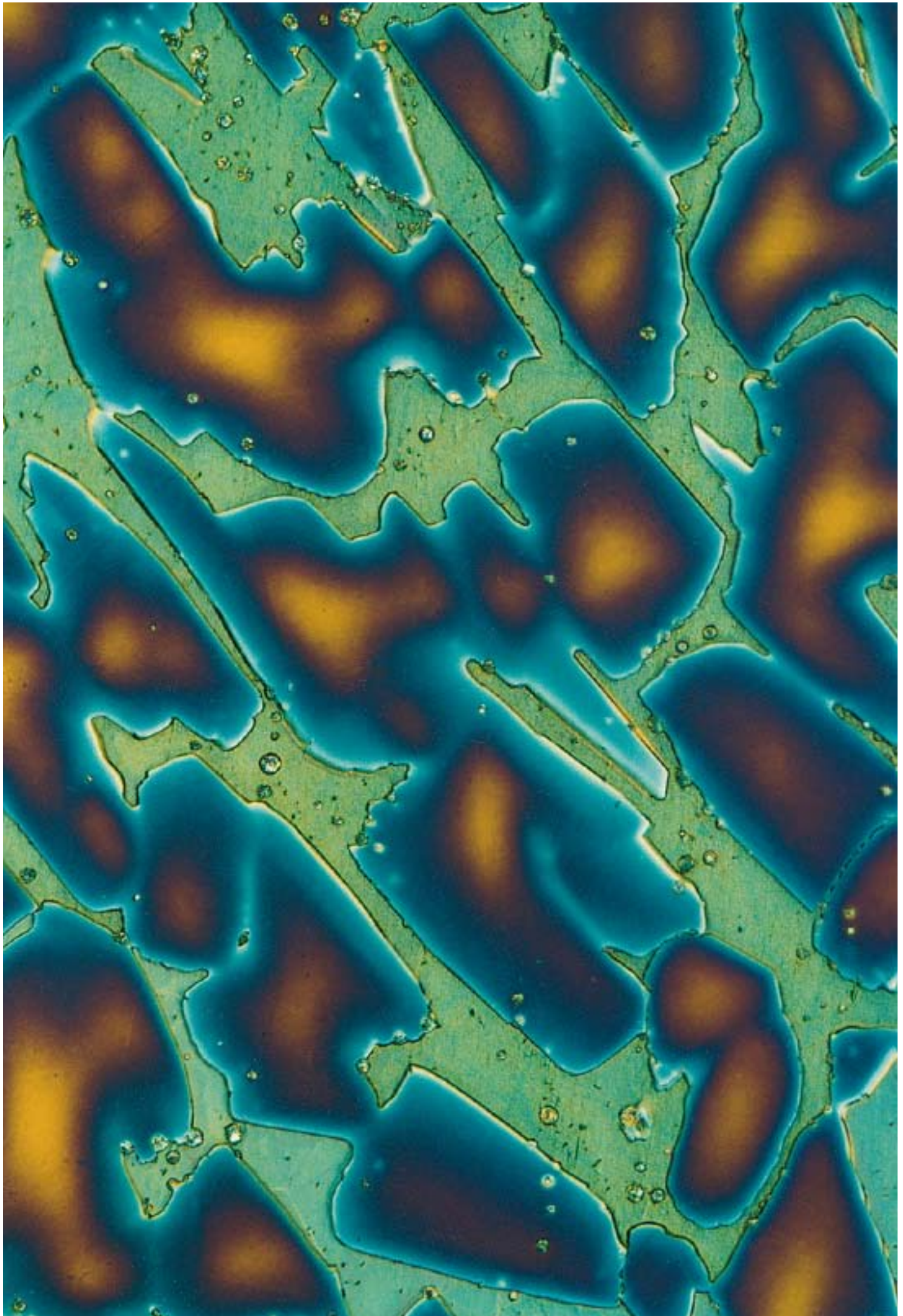
In addition to enhanced customer satisfaction, the need to reduce costs was also a deciding factor in the decision to set up a new extrusion press. In effect, the new high-performance presses will be used almost exclusively to produce the entire product range while five obsolete presses are retired to ensure a profitable future producing in Switzerland.

The decision to build the new extrusion press was made in 2005, allowing planning and procurement to commence. A press with a maximum load capacity of 50 MN (meganewtons) for pressing round billets with a diameter between 240 and 305 mm was chosen and the order was placed.

The total investment volume was approximately CHF 30 million. The complexity of the planned production program proved to be a major challenge, one which Swissmetal has tackled with the highest degree of commitment. Construction work began in 2006, with hot-pressing of the first batch of billets following completion of the press in 2007.

The extrusion press assembly consists of the following main elements: billet loading station, billet oven (gas or induction), extrusion press (direct and convertible to indirect press mode), run-out table with puller, wire and strip coiler and a finish-cut saw.

The subsequent actions to place the machine in service were then taken step by step. Once the machine was operational, production of bars and tubes was soon successfully documented, as was that of wire and strips. At the same time, Swissmetal progressively readied the auxiliary equipment used with the press for service and retired the older presses mentioned above. Dismantling of the old machinery in Reconvilier began in November 2007. Final testing of the new press took place in early 2008, so that full production can commence after successful acceptance in March 2008. For Swissmetal this means the start of a new era of supplying Swiss manufacturing plants with materials from the press.



AS CAST TIN BRONZE, MAGNIFICATION 500x

CONSOLIDATED INCOME STATEMENT

Gross sales and gross added value sales The Swissmetal Group generated gross sales of CHF 407.0 million in the 2007 financial year, which is an increase of CHF 49.3 million (14%) compared to the prior year. CHF 4 million (previous year CHF 23.5 million) is attributable to the sale of metals within the stock-optimization program, which benefits from improvements of business processes.

On the one hand, the increase was possible due to the acquisition of Avins Industrial Products Corp., Warren/NJ, USA, in January 2007. The company contributed with a total of CHF 39.3 million in sales in the year under review. On the other hand, business activity of the manufacturing plants Dornach, Reconvilier and Lüdenscheid increased, which is reflected in the increase of the gross added value sales (gross sales less metal at standard metal costs) in the amount of 7% to CHF 126.1 million.

In the year under review, the market segments "Generators" as well as "Decolletage" performed very well. However, the architecture segment has not achieved the level of the previous year, having realized several major projects in the previous year, particularly the luxury Peninsula Hotel in Tokyo. The connectors and ball-points areas were below the 2006 level since the performance of the Reconvilier site was not yet at the sufficient level in the first six months of 2007 as a result of the late effects of the strike in 2006. Though in the second half-year 2007, productivity in Reconvilier has increased considerably.

In 2007, for the first time Swissmetal generated sales from trading transactions in the amount of CHF 26.4 million. In particular high-quality non-ferrous metal strip products from the German company Gebr. Kemper GmbH + Co. KG Metallwerke, Olpe, Germany, special tubes from the American firm Industrial Tube Corp., Summerville/NJ, USA, and antennae from another US-based company, Lawrence Industries Inc., Cleveland/OH, USA, were sold.

Operating income (EBIT) The 2007 gross margin amounted to CHF 148.5 million and was CHF 7.4 million higher than in the previous year: Besides the increased business activity, also benefits from the consistent continuation of the stock-efficiency program had a positive impact on the gross margin. In this program operational efforts are taken to reduce the stock of metals used in the production cycle. The operational stock-efficiency benefits in 2007 decreased by CHF 8.6 million to CHF 7.1 million (previous year CHF 15.7 million) in terms of gross margin. These benefits were generated from physical stock sales as well as from lower purchases.

Personnel expenses totaled CHF 74.7 million, which represents a decrease of CHF 2.5 million or 3% compared to the previous year. The ratio of personnel expenses to gross margin has improved from 55% in 2006 to 50% in 2007. The average headcount decreased compared to the previous year from 879 to 801 full-time equivalent positions. On the one hand, headcount decreased particularly as part of the industrial restructuring of Swissmetal, on the other hand, the acquisition of Avins Industrial Products Corp., Warren/NJ, lead to an increase of 17 full-time equivalents.

Operating and administrative expenses totaled CHF 47.5 million in 2007 – CHF 9.2 million more than in the previous year. The increase is attributable to the higher maintenance costs and the initial costs for a range of new tools, the higher energy prices as well as the set-up and advisory costs relating to the Avins companies.

Swissmetal generated operating income before depreciation and amortization (EBITDA) of CHF 28.6 million in 2007, an increase of CHF 1.1 million (4%).

Depreciation totaled CHF 14.1 million in 2007, hence CHF 3.3 million (19%) less than in 2006. The reasons for this decrease were mainly the change in the utilization of the manufacturing buildings in Reconvilier (plant 1 will be retained as manufacturing plant) and the shortened depreciation periods in 2006.

This resulted in operating income (EBIT) of CHF 14.5 million, an increase of CHF 4.4 million (43%).

CONSOLIDATED BALANCE SHEET

Result for the year (EAT) In 2007, the net financial result rose by CHF 0.7 million to CHF –2.8 million compared to the previous year. The main reason for this increase is the interest expense on the loan from the acquired company Avins Industrial Products Corp., Warren/NJ in 2007, with CHF –0.6 million. The broadening of the warehouse facilities in Switzerland in the second half of the year increased financial expenses as well, but has been compensated by better terms.

In the non-operating and extraordinary result, an income of CHF 0.8 million each is included from the sale of premises and from the revaluation of receivables in connection with the refinancing in 2004.

Tax expenditures in 2007 totaled CHF 1.9 million, a decrease of CHF 1.7 million. The amount of CHF 1.5 million has been capitalized relating to cantonal granted loss carry-forwards in 2007. In addition, the tax rate in Germany decreased to 30% and a comparatively higher part of the profit has been generated in Switzerland, where taxes are lower than in the other countries.

At CHF 11.4 million, the earnings after tax (EAT) were CHF 6.8 million better than in the previous year.

At the Group level, the total assets increased by CHF 17.8 million to CHF 236.9 million in comparison to the prior year, primarily due to the acquisition of Avins Industrial Products Corp., Warren/NJ. Another factor has been the increased sales activity and a relating increase in current assets.

On the asset side, the current assets – at CHF 147.8 million – contributed 62% to total assets, while non-current assets accounted for the remaining 38% (CHF 89.1 million).

The increase in current assets of CHF 18.5 million (14%) compared to the previous year was mainly due to the stocks held by Avins Industrial Products Corp., Warren/NJ.

Fixed assets of CHF 89.1 million (previous year CHF 89.8 million) include CHF 29.1 million of assets under construction, most of which relates to the new extrusion press. As at 31 December 2007, intangible assets amounted to CHF 8.9 million and consisted of CHF 5.4 million in goodwill from the acquisition of Swissmetal Lüdenscheid GmbH, Lüdenscheid, in 2006 and of Avins Industrial Products Corp., Warren/NJ, in 2007 as well as CHF 3.5 million in software and other intangible assets.

Total liabilities amounting to CHF 97.3 million represented 41% of total assets, while shareholders' equity of CHF 139.6 million, accounted for the remaining 59%. Short-term liabilities decreased by CHF 6.0 million (10%) to CHF 52.0 million in the period under review. This is primarily due to the decreased trade accounts payable balance to the supplier of the extrusion press.

Long-term liabilities amounted to CHF 45.4 million at the end of December 2007, CHF 10.5 million more than in the previous year, which is also attributable to the acquisition of Avins Industrial Products Corp., Warren/NJ, and to the increased warehouse facility. In the year 2007, CHF 3.3 million of compulsory stockpile loan has been repaid as planned.

Net debt stood at CHF 40.1 million as at 31 December 2007.

CONSOLIDATED CASH FLOW STATEMENT

Swissmetal generated an operating cash flow of CHF 8.1 million in 2007, CHF 25.0 million less than in the previous year. Increasing net working capital in 2007 generated a cash effect of CHF –15.9 million (previous year: CHF 10.5 million).

In 2007, Swissmetal invested a total of CHF 12.2 million in tangible and intangible assets (previous year CHF 18.3 million), primarily in the extrusion press in Dornach. Other additions included in the year under review finishing equipment each in Dornach and Reconvilier, a connection to the new extrusion press in Dornach as well as IT investments i.e. the SAP introduction in Lüdenscheid.

Furthermore, the investment in Avins Industrial Products Corp., Warren/NJ, was acquired for CHF 7.0 million (net).

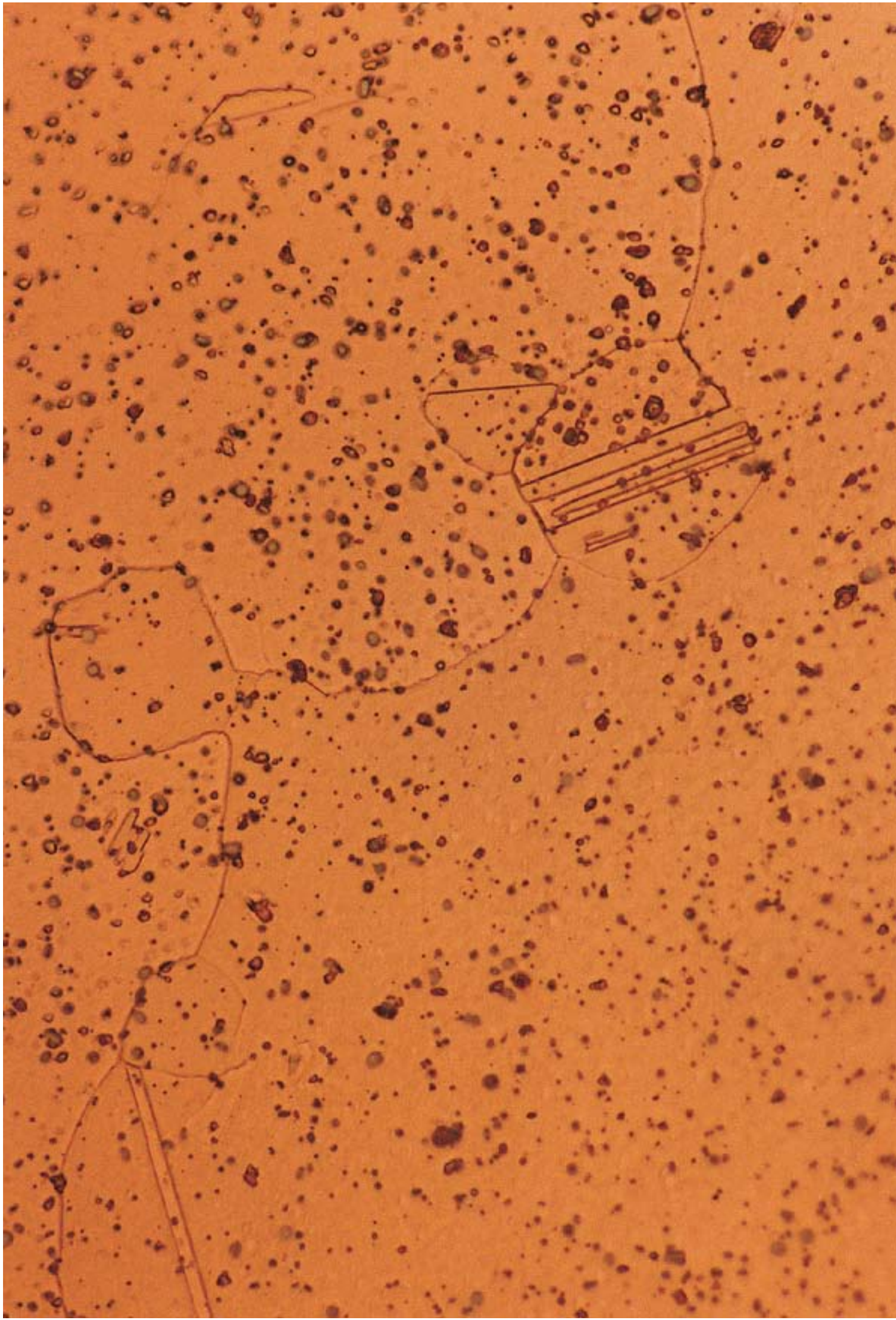
Free cash flow in 2007 totaled CHF –7.8 million, a decline of CHF 12.6 million compared to the previous year, mainly as a result of the described changes in the net working capital.

RM PRECISION SWISS INC.

On 5 March 2008, the Group company Swissmetal – UMS Swiss Metalworks Ltd agreed to acquire the American company RM Precision Swiss Inc., Las Vegas/NV, USA.

RM Precision is a highly specialized manufacturer of technical precision components of copper alloys. The company is an important supplier to the North American connector business, particularly in the aircraft sector.

In 2007, RM Precision Swiss Inc., Las Vegas/NV, generated sales of USD 9.5 million and had 82 employees as at 31 December 2007. Both parties have agreed secrecy about the financial modalities of the transaction.



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CORPORATE GOVERNANCE

As a listed company, UMS Swiss Metalworks Holding is subject to the Directive on Information relating to Corporate Governance issued by the SWX Swiss Exchange (also referred to as the SWX Directive), including its Annex and Commentary.

The Corporate Governance section of the Annual Report precisely follows the structure of the SWX Directive and covers events up to and including 8 April 2008.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

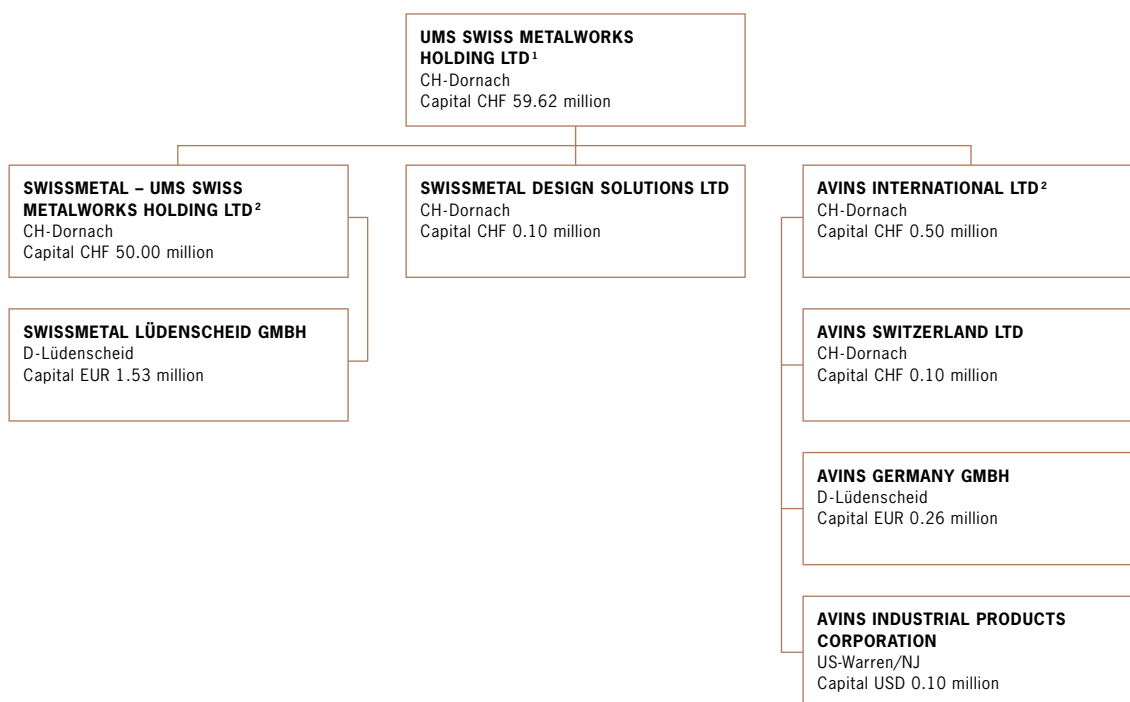
Operational Group structure

BOARD OF DIRECTORS	CHAIRMAN	VICE CHAIRMAN	DELEGATE	MEMBERS OF BOARD OF DIRECTORS	
EXECUTIVE AND GROUP MANAGEMENT	CHIEF EXECUTIVE OFFICER (CEO)		EXECUTIVE VICE PRESIDENT		
	OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT				
	OTHER MEMBERS OF THE GROUP MANAGEMENT				
SALES (AVINS)	SALES SUPPORT	TECHNICAL MARKETING	AVINS SWITZERLAND	CENTRAL SERVICES	HUMAN RESOURCES
			AVINS GERMANY		FINANCE
			AVINS FRANCE		PROCUREMENT
			AVINS ITALY		IT
			AVINS USA		CORPORATE DEVELOPMENT
			AVINS CHINA		INNOVATION & BUSINESS DEVELOPMENT
			AVINS INDIA		
INDUSTRY					
SWITZERLAND			GERMANY		
SITE DORNACH		SITE RECONVILIER		SITE LÜDENSCHIED	
R&D, PROCESS, METHODS & INNOVATION, QUALITY		QUALITY & QUALITY CONTROL		MAINTENANCE, LOGISTICS & PLANNING BUILDINGS & INFRASTRUCTURE TOOLING	
SAFETY MAINTENANCE & TOOLING BUILDINGS & INFRASTRUCTURE		FOUNDRY		FOUNDRY	
FOUNDRY		EXTRUSION		EXTRUSION	
EXTRUSION		LOGISTICS & PLANNING		LOGISTICS & PLANNING	
LOGISTICS & PLANNING		FINISHING PROFILES, TUBES, BARS & STRIPS		FINISHING PROFILES, WIRES & RODS	
FINISHING PROFILES, TUBES, BARS & STRIPS		FINISHING PROFILES, WIRES & RODS		FINISHING PROFILES, WIRES & RODS	

On 10 January 2007, the Swissmetal Group expanded its operational Group structure to include a trading company by acquiring Avins Industrial Products Corp., Warren/NJ. Through this takeover, the Swissmetal Group intends to round out its core business of producing and

distributing its own copper semi-finished goods with products from other companies. This enables Swissmetal to provide its customers with an even more extensive range of products and services.

Legal Group structure of UMS Swiss Metalworks Holding Ltd



¹ 100% of Swissmetal – UMS Swiss Metalworks Ltd, Dornach, Swissmetal Design Solutions Ltd, Dornach, and Avins International Ltd, Dornach

² 100% each of the subsidiaries presented

UMS Swiss Metalworks Holding Ltd, Dornach, is listed on the SWX Swiss Exchange in Zurich (Swiss security number 257 226; ISIN CH0002572268) and is subject to Swiss law. The share price stood at CHF 27.40 as at 28 December 2007, resulting in a market capitalization of CHF 181.5 million. The scope of the consolidation does not include any listed companies, but rather only the above-mentioned unlisted companies.

Changes in the scope of the consolidation during the 2007 financial year On 10 January 2007, Avins International AG, Dornach, acquired the entire share capital of Avins Industrial Products Corporation, Warren/NJ, USA. This unlisted company with a share capital of USD 0.10 million became fully consolidated on 1 January 2007.

Swissmetal Design Solutions AG, Dornach, was established on 27 July 2007, Avins Switzerland Ltd, Dornach, was founded on 10 October 2007, and Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, changed its name and domicile to Avins Germany GmbH, Lüdenscheid on 20 August 2007.

1.2 Significant shareholders

The following shareholders held more than 3% of the capital of UMS Swiss Metalworks Holding Ltd, Dornach, on the balance sheet date of 31 December 2007:

	2007*	2006*
Gem Small & Mid Caps Switzerland (Fund Manager: FidFund Management SA)	5.0%	5.0%
Adelphi European Small Cap Fund (Fund Manager: Adelphi Capital Ltd)		5.2%
Laxey Partners Ltd	32.9%	20.4%
3V Asset Management AG		5.7%

* The percentage figure is referred to the latest published share in the corresponding year.

Events 01.01.2008 – 31.03.2008

Shareholder	Date	Shareholding
Gem Small & Mid Caps Switzerland (Fund Manager: Caceis Fastnet (Suisse) SA)	9.1.2008	7.7%
Gem Small & Mid Caps Switzerland (Fund Manager: FidFund Management SA)	9.1.2008	<3.0%
UMS Swiss Metalworks Holding Ltd	29.1.2008	3.2%

1.3 Cross-shareholdings There are no cross-shareholdings subject to disclosure requirements.

2. CAPITAL STRUCTURE

2.1 Capital As at 31 December 2007, the share capital of UMS Swiss Metalworks Holding Ltd, Dornach, was CHF 59,616,954 (2006: CHF 58,910,004), divided into 6,624,106 (2006: 6,545,556) bearer shares.

2.2 Authorized and conditional capital

Authorized capital The General Meeting of the listed company UMS Swiss Metalworks Holding Ltd, Dornach, on 30 June 2006 approved the creation of authorized capital and consequently authorized the Board of Directors to increase the company's share capital at any time up to 30 June 2008 in the maximum amount of CHF 23,563,998 by issuing at most 2,618,222 bearer shares, each with a par value of CHF 9.00, to be paid in full.

Increases by way of firm underwriting or in fractional amounts are permitted. The issue amount, timing of the dividend entitlement, type of contributions and possible acquisitions of assets are determined by the Board of Directors.

The Board of Directors is entitled to exclude the subscription right of shareholders and to assign it to third parties if the new shares are to be used to acquire companies, parts of companies or shareholdings, or for the participation of the employees of the company or its subsidiaries.

The Board of Directors regulates the allocation of unexercised subscription rights in the interests of the company. The Board of Directors is empowered to create free shares for employee participation plans and to pay for them out of freely disposable equity.

Contingent capital The General Meeting of the listed company UMS Swiss Metalworks Holding Ltd, Dornach, on 16 May 2007 approved the creation of contingent capital. The company's share capital will be increased by a maximum of CHF 22.5 million by the issue of at

most 2,500,000 bearer shares, each with a par value of CHF 9.00, to be paid in full, to be granted upon exercise of warrant and conversion rights associated with debenture or similar bonds of the company or Group subsidiaries. Subscription rights for shareholders are excluded.

Shareholders' preferential subscription rights in the case of warrant or convertible bonds may be restricted or excluded by a resolution of the Board of Directors (1) to finance the acquisition of companies, portions of companies or shareholdings or new company capital expenditures or (2) to issue these warrant and convertible bonds on international capital markets.

If such preferential subscription rights are waived, (1) the warrant or convertible bond must be placed with the general public at market conditions, (2) the exercise period must not exceed five years for warrants or ten years for conversion rights from the time of the bond issue, and (3) the issue price for the new shares must be at least equal to the market price at the time of the bond issue.

2.3 Changes in capital

In 2005, the share capital of UMS Swiss Metalworks Holding Ltd, Dornach, remained unchanged at CHF 58.9 million.

In 2006, the share capital of UMS Swiss Metalworks Holding Ltd, Dornach, also remained unchanged. However, the General Meeting approved the creation of authorized capital. (See also section 2.2)

In 2007 the share capital was increased in two stages: On 10 January 2007 and on 21 May 2007, UMS Swiss Metalworks Holding Ltd, Dornach, increased the stock of shares on issue by 40,000 and 38,550 shares respectively, each with a par value of CHF 9.00, from 6,545,556 shares to 6,624,106 shares, by paying a part of the authorized capital approved at the 2006 General Meeting. (See also section 2.2)

2.4 Shares Each share is one bearer share and carries 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 6,624,106 shares with a par value of CHF 9.00 each; all shares are fully paid. By amending the Articles of Incorporation, the General Meeting may at any time convert bearer shares into registered shares. UMS Swiss Metalworks Holding Ltd, Dornach, currently has no participation certificates.

Of the total 6,624,106 shares issued on 31 December 2007, 145,000 treasury shares (2006: 134,000) are held by the Swissmetal Group.

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

2.6 Limitations on transferability There are no limitations on the transferability of shares.

2.7 Convertible bonds and options In the second quarter of 2007, the Swissmetal Group established an employee share participation program for the Board of Directors and Management Circle, which consists of all management employees including the Group Management and the Executive Management. The company currently has no outstanding convertible bonds or options.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors The Boards of Directors of UMS Swiss Metalworks Holding Ltd, Dornach, of Swissmetal – UMS Swiss Metalworks Ltd, Dornach, and of Avins International Ltd, Dornach, are identical.

Composition as at 31 December 2007 With the exception of Martin Hellweg and Ralph Glassberg, no member of the Board of Directors belongs to the Executive Management or the Group Management of the Swissmetal Group or any of its subsidiaries.

Dr. J. Friedrich Sauerländer Born in 1942, Swiss citizen, member of the Board of Directors since 2004 and 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 in Australia with the Alusuisse/Lonza Group. He subsequently assumed a number of management positions with Alusuisse/Lonza in the USA and Brazil, before moving to the Swiss Eternit Group in 1983 as the CEO for Latin America. From 1988, he served on the Group Management of the SGS Société de Surveillance Group, as CEO of André & Cie SA/André Group, Lausanne, and CEO of Manufacture des Montres Rolex SA, Bienne and as a partner with GEM (Global Estate Managers), Geneva. He is currently on

the Board of Directors of BNP Paribas (Suisse) SA, Geneva, and of SCOR Holding (Switzerland) AG, Zurich. He is also Chairman of the Foundation Board of Fondation PH Suisse – Partnerships in Health, Céligny and serves on the Foundation Board of Fondation Média et Société, Geneva.

Dr. Dominik Koechlin Born in 1959, Swiss citizen, Vice 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 he has served on the Board of Trustees of LGT Bank in Liechtenstein and on the Board of Directors of EGL AG, Crocell Ltd in the Netherlands and a number of unlisted companies. He is also a member of the Board of the University of Basel.

Martin Hellweg Born in 1967, German citizen, member of the Board of Directors since 2004 and CEO of the Swissmetal Group since June 2003.

Martin Hellweg studied economics at Ruhruniversität Bochum (Germany) and later received an MBA at the Simon Graduate School of Business at the University of Rochester in New York. During his career, he has mainly specialized in the financing, restructuring and repositioning of companies. In addition to his present duties at the Swissmetal Group, Martin Hellweg is Managing Partner and Chairman of the Board of Directors of Ally Management Group AG, Zurich. (See also 4.3 Management agreement with Ally Management Group AG)

Max Locher Born in 1941, Swiss citizen, member of the Board of Directors since 2004.

A business studies graduate, Max Locher held various positions during his career at the Alusuisse 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 of Directors since April 2005.

Ralph Glassberg Born in 1944, US citizen, member of the Executive Board of Avins International AG, Dornach, since 2007, member of the Board of Directors since 2006 and President of Avins Industrial Products Corporation, Warren/NJ, since 1989.

He graduated in industrial and management engineering at Columbia University before gaining an MBA in accounting and finance from the New York University

Graduate School of Business Administration. He began his career at Edith Fornarotto, a manufacturer of high-end women's sportswear. In 1970 he joined Avins Industrial Products Corp., Warren/NJ as a sales engineer, in turn becoming Vice President of Sales in 1972 and President in 1989.

Dr. Roger Bühler Born in 1972, Swiss citizen, member of the Board of Directors since 2006.

He holds a bachelor's degree and doctorate in economics and business administration from the University of Basel and is a chartered financial analyst (CFA). Roger Bühler has extensive experience in corporate finance and investment management. He has been investment director at Laxey Partners Ltd, London and the Isle of Man, since 2003. Previously he was with Active Value Advisors Ltd, London and Geneva. Between 2000 and 2002 he worked in the merchant banking division of A&A Actienbank in Zurich, and spent 1997 to 2000 in corporate finance at PricewaterhouseCoopers, also in Zurich. He is a director of MachHitech and Laxey Partners. Laxey Partners has a significant shareholding in Swissmetal.

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

3.3 Elections and terms of office The Board was elected in its entirety by the General Meeting. The term of office is normally one year and will last for all members until the General Meeting for the 2007 financial year on 21 May 2008. Members of the Board of Directors may be elected at any time.

3.4 Internal organizational structure The Board of Directors has established an Audit Committee. There are no other Board of Directors committees. The Audit Committee conducts preliminary consultations in relation to the main tasks set out below.

The Board of Directors comprises the persons named in section 3.1. J. Friedrich Sauerländer has been Chairman of the Board of Directors since 10 June 2005. Dominik Koechlin has been Vice Chairman and Martin Hellweg 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 convene as many meetings as business requires. Each member of the Board of Directors may also request that the Chairman convene a meeting immediately, stating their reasons. A majority of the 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 also be adopted in writing if no member requests a verbal consultation. The Secretary of the Board of Directors keeps the minutes of the deliberations and resolutions. Resolutions adopted by correspondence are recorded in the minutes.

The Board of Directors and its Chairman are assigned the non-transferable and inalienable duties set out in articles 71a.1 and 71a.2 of the Swiss Code of Obligations. The Board of Directors decides on the allocation of the areas of responsibility (competencies) to the governing bodies of the Group companies, determines the strategy and long-term planning and the associated business plans and decides on the presentation of internal reporting statements. It also adopts resolutions on investment projects, unbudgeted expenditure and other amounts exceeding CHF 1 million as well as resolutions on the recourse to or repayment of loans over CHF 5 million.

Spread over 2007, the Board of Directors held nine ordinary meetings (2006: 17) lasting an average of five to seven hours each as well as seven teleconferences (2006: 29) and resolutions adopted by correspondence.

There are no further subcommittees other than the Audit Committee (AC), described below. Thus, the Board of Directors discusses all other matters in plenary session. An agenda is prepared for each meeting of the Board of Directors containing the topics regularly discussed by the Board. These include approval of minutes, business performance, the current status of pending capital investment projects in the plants, quarterly pension fund reports and quarterly reports from the Innovation & Business Development department. In discussing business performance, the Board of Directors addresses current developments in each market segment and regional market, the liquidity situation and the operational situation in the plants. Additionally, further items are added to the agenda as needed, such as status reports on major projects – in 2007 these included SolarTiles, implementation of International Financial Reporting Standards (IFRS) and the adaptation of the Internal Control System (ICS) to the requirements of the Swiss Code of Obligations – and current issues where decisions are needed, such as investments that were not yet under consideration at the time the 2007 budget was approved. All Board of Directors topics are generally discussed in the presence of the responsible member of the Group Management. The latter also generally submits proposals for decisions. When discussing matters internal to the Board of Directors and human resources matters at the Executive Management level, the Board meets with no

outsiders present. Depending on the matter at hand, external advisers may be invited to attend Board meetings. Accountancy experts were present during the implementation of IFRS, while experts in compensation and business modelling were present when discussing executive compensation matters. A consultant was present twice for the Asia Strategy project, which appeared on the agenda several times in 2007.

The Charter of the Audit Committee sets out the duties and powers of the Audit Committee, which consists of Dominik Koechlin (Chairman), Dr. J. Friedrich Sauerländer and Dr. Roger Bühler. The Audit Committee monitors the financial and accounting processes and systems of the Swissmetal Group, evaluates the independence and effectiveness of the external auditors and ensures the flow of communication between management, the finance department, the auditors and the Board of Directors. The Audit Committee makes appropriate recommendations to the Board of Directors.

The allocation of duties and powers among the Board of Directors, the Executive Management and other members of the Group Management is set out primarily in the Organizational Regulations and their Annex on the Allocation of Powers.

The Committee's main tasks are:

- discussing the annual financial statements with management;
- monitoring compliance with statutory accounting regulations and the accounting standards used by the company;
- reviewing the scope and planning of the external audit;
- making recommendations concerning the selection and remuneration of the external auditors;
- monitoring the effectiveness and suitability of the financial and accounting systems and the internal audit and submitting recommendations to the Board of Directors;
- submitting a proposal to the Board of Directors in the event of overindebtedness pursuant to article 725 of the Swiss Code of Obligations.

The Audit Committee has been given the following decision-making powers:

- review of the professional qualifications of the auditors within the meaning of article 727b of the Swiss Code of Obligations;
- establishment of the measures and rules to avoid insider dealing;
- approval of guidelines and rules concerning the publication of price-sensitive information;
- approval of the strategic audit and inspection plan;
- preparation of risk management guidelines;
- basic tax issues;
- initial appointment and remuneration of the external auditors, who are then put forward for election by the Annual General Meeting following their approval by the Board of Directors.

In 2007, the Audit Committee met on three occasions, including a teleconference at the beginning and two meetings at the end of the year. Any topics normally dealt with by the Audit Committee but arising between meetings were discussed by the Board of Directors and recorded in separate minutes with the relevant citations.

Members of the Group Management always attend meetings of the Board of Directors and the Audit Committee if expert knowledge from their areas is sought. The Chief Financial Officer is therefore often present at meetings.

3.5 Areas of responsibility The Board of Directors has delegated the operational management of the company and the operational leadership of the Swissmetal Group to the CEO and the Executive Management. The delineation of duties and powers among the Board of Directors, CEO, Executive Management and other management personnel is governed by the Organizational Regulations and their Annexes. Operational management comprises all business management tasks not reserved to the Board of Directors by law, the Articles of Incorporation, the Organizational Regulations, their Annex and any specific resolutions of the Board of Directors.

The CEO is appointed by the Board of Directors. Together with the Executive Management and within the scope of the strategy approved by the Board of Directors, he is responsible for the operational management of the company and of the Swissmetal Group. He chairs the Executive Management, which comprises the senior managers required for the conduct of business. He is accountable for the Swissmetal Group's earnings and is, among other things, responsible for drafting the corporate strategy and implementing it once it has been approved by the Board of Directors.

The other members of the Executive Management, who currently number six, are nominated by the CEO, appointed by the Board of Directors and report to the CEO. The other members of the Executive Management, which comprises the senior managers needed for the conduct of business, are, together with the CEO and within the scope of the strategy approved by the Board of Directors, responsible for operational management of the company and of the Swissmetal Group. The members of the Executive Management are further responsible for business relevant to their respective departments. They are authorized to delegate responsibility and are required to approve rules governing the scope of authority within their respective departments as appropriate; these rules must be approved by the Board of Directors. The members of the Executive Management meet every two weeks; these meetings last an average of three hours.

In addition to the Executive Management, the CEO may form a Group Management as a consultative body for the Executive Management. The Group Management comprises the Executive Management along with other members, who number six as of 31 December 2007 and currently five, appointed by the CEO. The Group Management supports the CEO and the Executive Management particularly in regard to medium to long-term issues, such as the general development of business, strategy development and implementation and the associated drafting of business plans. The Executive Management consults members of the Group Management in at least one meeting per month.

Executives, i.e. individuals with direct management responsibility or advanced technical responsibilities, together with the Executive Management and Group Management make up the Management Circle, which generally meets twice a year for a workshop where current strategic and operational topics are discussed, guidelines for management conduct are devised and objectives are set for general operational collaboration. As in 2006, two of these conferences were held in 2007, with a focus on the implementation of the Swissmetal Vision and Key Values and on the concrete implementation of cooperation within the framework of the new distribution structure.

3.6 Information and control instruments The Executive Management/Group Management informs the Board of Directors of the strategic and operational developments at every Board meeting. The monthly Management Report on current financial indicators serve as the basis for discussion of the course of business. The management report contains an executive

summary providing the Board of Directors with a written review of the previous month. The other pages present time series charts of new orders, sales and outstanding orders.

The Head of Innovation & Business Development provides the Board of Directors with a quarterly report for their respective area. Information prepared for meetings of the Board of Directors is submitted about one week in advance. At the Board of Directors meeting those members of the Executive Management/Group Management invited to attend according to the agenda often deliver verbal reports.

Twice a year, the external auditors (PricewaterhouseCoopers AG, Basel) draft a Management Letter to the attention of the Audit Committee, the Board of Directors and the Executive Management/Group Management containing recommendations for improvements.

4. EXECUTIVE MANAGEMENT

4.1 Members of the Executive Management The following reflects the status of the Swissmetal Group as at 31 December 2007. Members of the Executive Management have a permanent contract of employment and are responsible for all the tasks related to operational management that are not exclusively reserved for the Board of Directors.

Martin Hellweg Born in 1967, German citizen, member of the Board of Directors since 2004 and CEO of the Swissmetal Group since June 2003.

Martin Hellweg studied economics at Ruhruniversität Bochum (Germany) and later received an MBA at the Simon Graduate School of Business at the University of Rochester in New York. During his career, he has mainly specialized in the financing, restructuring and repositioning of companies. In addition to his present duties at the Swissmetal Group, Martin Hellweg is Managing Partner and Chairman of the Board of Directors of Ally Management Group AG, Zurich. (See also 4.3 Management agreement with Ally Management Group AG)

Volker Suchordt Born in 1947, German citizen, member of both the Executive Management and Group Management since February 2006 in his capacity as Executive Vice President for Industry and Head of Quality, Safety and Environment.

Volker Suchordt studied metal science at the universities of Dortmund and Bochum with a focus on metallurgy and metalworking technologies. He has many years' experience in copper semi-finished goods, acquired at

the VDM wire, band and coin plant, Swissmetal Busch-Jaeger and the Thyssen Krupp-VDM wire plant. Most recently, he restructured Busch-Jaeger Metallwerk GmbH, now Swissmetal Lüdenscheid GmbH, into a highly competitive provider of high-grade specialty products.

Yvonne Simonis Born in 1968, German citizen, Chief Financial Officer and Member of Group Management since March 2004 and Member of Executive Management since July 2007.

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, she worked for two years at a management consultancy in Germany and four years in the finance and controlling department of BASF Germany and Asia. She joined the Swissmetal Group as Group Controller, later becoming Head of Finance and Controlling.

Sam V. Furrer Born in 1966, Swiss citizen, Chief Development Officer (CDO) and Member of Group Management since July 2004, Member of Executive Management since July 2007.

Sam V. Furrer holds a degree in management from the University of St. Gallen. He has worked for Arthur D. Little and other consulting firms in strategy develop-

ment and implementation, change management and enterprise development. During his consulting career he acquired extensive expertise in various industries including petroleum, cement, postal services, electronics and telecommunications. In addition to his work as CDO, Sam V. Furrer was Head of Human Resources from July 2004 to January 2006.

Martin Heuschkel Born in 1962, French citizen, Member of Group Management as Chief Information Officer (CIO) since December 2003 and Head of Swissmetal Design Solutions AG since July 2007; Member of Executive Management since July 2007.

Martin Heuschkel holds a bachelor's degree in electrical engineering from Basel Technical University, an MBA from the Simon Graduate School of Business at the University of Rochester in New York and an Executive MBA from the University of Berne. 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. From 2005 to June 2007 he was also responsible for quality, safety and environmental protection at Swissmetal. He is also Vice Chairman of the Board of Directors of Swiss Data Safe AG in Amsteg.

Executive Management from left to right:

Sam V. Furrer, Laura Rossini, Martin Heuschkel, Martin Hellweg, Volker Suchardt, Yvonne Simonis, Greg Himstead



Laura Rossini Born in 1970, Swiss and Italian citizen, Head of Human Resources and Member of Group Management since January 2006, Member of Executive Management since July 2007.

Laura Rossini studied foreign languages with a focus on law and business at the Free University of Cologne. She then completed a number of advanced training programs in human resources, which she has worked within for 10 years. She has solid human resources experience both in strategic matters (assessment, recruitment, management development) at international industrial groups such as Hilti and Holcim and in operational matters as the Head of human resources at a small manufacturer. She joined the Swissmetal Group in March 2005 in a staff position as HR Manager of Development and Projects, before becoming Head of Human Resources.

Greg Himstead Born 1964, US citizen, Head of Sales and Marketing, CEO of Avins International Ltd, Dornach, and Member of the Executive Committee since January 2007, Member of Executive Management since July 2007.

Greg Himstead has degrees in physics from Hamilton College and mechanical engineering from Columbia University, School of Engineering & Applied Sciences, and an MBA from the NYU Stern School of Business. Before joining the Swissmetal Group, he worked at Avins Industrial Products Corp., Warren/NJ, as Sales Engineer from 1989, Sales Manager from 1997 and Vice President Sales and Marketing from 2001. He has extensive experience in sales, marketing, mechanical engineering and strategic alliances.

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

4.3 Management agreements Business relationship with Ally Management Group and its partners. Since 2003 the Swissmetal Group has contracted various assignments to Ally Management Group AG of Zurich. Swissmetal Director and Chief Executive Officer Martin Hellweg is Managing Partner and Chairman of the Board of Directors of Ally Management Group. Ally Management Group specializes in turnaround situations and provided the Swissmetal Group in the main with experts for specific temporary tasks related to the restructuring of the company, including the sale of real estate or supporting financing activities.

In 2007 Ally Management Group AG provided the Swissmetal Group with services to the value of CHF 19,161 (2006: CHF 99,791). Within the Swissmetal

Group, the decision on whether to assign tasks to Ally Management Group is made by persons who are not subject to any instructions and who have no connection with Ally Management Group. Furthermore, the Board of Directors is kept informed at regular intervals of the individual assignments undertaken by Ally Management Group. (See also 5.2 Compensation for active members of the Board of Directors and 5.3 Compensation for active members of the Executive Management)

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Content and method of determining compensation and shareholding programs The Board of Directors determines the appropriate compensation for its members as a group, using the risks and size of the Swissmetal Group compared to other enterprises as criteria. The members of the Board of Directors of the Swissmetal Group receive directors' fees and their expenses are reimbursed. Members of the Executive Management and the other members of the Management Circle receive a salary, expenses in line with expenditures (in accordance with the regulations on expenses) and a performance-related bonus (in accordance with the Nordstern rules) based on the change in value added. Thus, the amount of the variable pay component is tied to a defined Group target.

Salaries are determined according to the "grandfather" principle. For example, the CEO discusses the salary of an Executive Management member with the individual before submitting it to the Board of Directors for approval. Salaries are generally reviewed by the Board of Directors once a year.

The aim of the bonus program is to tie the variable compensation for participants in the plan to the long-term increase in the value of the Swissmetal Group. The concept is based on the value added principle and a plan that lasts several years in line with shareholder expectations. The chief advantage of the value-added concept is that it not only measures growth in sales and profitability, but also takes account of the resources used for these increases and the additional capital costs involved. The Management Circle receives a variable salary component in addition to the fixed salary stipulated in the contract of employment. The amount to be paid out depends on the change in the value added in the current financial year and the past financial years and on the Swissmetal Group's budget/business plan. The multiplier for calculating the amount available for bonus payments is computed from the increase in value per financial year. The available amount is credited to a bonus pool and only partially paid out.

Any balance is carried forward to the next year. It is possible for the bonus for a financial year to be negative if there is negative value added. This has the effect of (partially) neutralizing any positive balance in the bonus pool and of less or nothing at all being paid out. Thus, the company takes account of both positive and negative fluctuations in business performance and ensures that variable remuneration contains a long-term component. The target bandwidth for the variable bonus is 15% to 30% of the fixed salary, depending on level of responsibility.

The Board of Directors determines key figures in relation to the available bonus amount and based on the business plan (consolidated figures).

These were determined for 2006 to 2010 in January 2006. In 2008 the key figures will be revised and re-determined for 2011 to 2013. The Board of Directors uses the services of an external consultancy specializing in compensation programs in devising the bonus program.

The Board of Directors and Executive Management regard it as desirable for executives to personally own

Swissmetal shares. Accordingly, an employee share ownership program has been established. Swissmetal also supports investment in Swissmetal shares on the part of the Group Management by extending personal loans.

Group Management members can use these loans to purchase shares at the market price; the shares are locked in for a certain period.

The Executive Management launched an employee share ownership program in the second quarter of 2007. Members of the Management Circle may subscribe different quantities of shares under preferential terms. These shares are locked in for two years. The program will be repeated with the same volume in 2008. The Executive Management is again working with external consultants in implementing this program.

5.2 Compensation for active members of the Board of Directors Total remuneration paid or deferred in the 2007 financial year breaks down as follows:

Compensation 2007 (CHF)	Friedrich Sauerländer Chairman	Dominik Köchlin Vice chairman	Martin Hellweg⁶ Member and Delegate	Max Locher Member	Ralph Glassberg⁷ Member	Roger Bühler Member	Total BoD
Compensation (cash)							
Pay (fixed)							
Chairman of BoD	100,000						100,000
Vice Chairman of the BoD		75,000					75,000
Member of the BoD			0	50,000	50,000	50,000	150,000
Chairman of the AC		15,000					15,000
Member of the AC	15,000					15,000	30,000
Executive function			415,992		76,200		492,192
Pay (variable)							
Nordstern bonus			463,600				463,600
Other bonuses ¹					222,000		222,000
Shares / Options²							
Advantage from share purchase at reduced price ³	13,600	13,600	81,600				108,800
Remuneration for additional work							
Additional services above and beyond regular duties ⁴	57,500			3,750			61,250
Total compensation (cash)	186,100	103,600	961,192	53,750	348,200	65,000	1,717,842

Compensation 2007 (CHF) – continued	Friedrich Sauerländer Chairman	Dominik Köchlin Vice chairman	Martin Hellweg⁶ Member and Delegate	Max Locher Member	Ralph Glassberg⁷ Member	Roger Bühler Member	Total VR
Compensation (non-cash)							
Bonus bank opening balance			238,502				
Bonus bank pay-out (negative value) and deduction (positive value) respectively			-143,286				-143,286
Bonus bank closing balance			95,216				
Benefits in kind ²			30,540		2,520		33,060
Pension expenses ⁵	7,863	4,650	143,513	1,866	36,571	0	194,463
Total compensation (non-cash)	7,863	4,650	30,767	1,866	39,091	0	84,237
Total compensation	193,963	108,250	991,959	55,616	387,291	65,000	1,802,079

¹ Ralph Glassberg does not participate in the Nordstern bonus program.

² Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.

⁵ Employer's share

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

⁷ In addition to compensation for his service on the Board of Directors, Ralph Glassberg receives compensation as CEO of Avins Industrial Products Corp., Warren, NJ.

Note on the bonus bank: The agreed value added target was exceeded in the 2006 financial year. The target bonus plus one-third of the amount exceeding the target was paid out. The remainder was carried forward in the bonus bank and offset against the 2007 bonus. The line "Nordstern bonus" now indicates the amount actually paid out for 2007. The negative balance in the line "Bonus bank pay-out (negative value) and deduction (positive value) respectively" now means that this amount was withdrawn from the bonus bank and not charged to expenses for 2007. Adding the lines "Nordstern bonus" and "Bonus bank pay-out (negative value) and deduction (positive value) respectively" yields the expense figure stated in the 2007 Income Statement.

In the year under review, transactions with related parties, namely the assistance function that was performed by Ally Management Group AG, Zurich, (KCHF 19) associated with Martin Hellweg, related only to the first quarter.

No loans or credits were extended to members of the Board of Directors, nor was any compensation other than that already mentioned paid to individuals closely linked to the Board of Directors.

5.3 Compensation for active members of the Executive Management Total remuneration paid or deferred in the 2007 financial year breaks down as follows:

Compensation 2007 (CHF)	Individual with highest compensation: CEO⁶	Other Executive Management Members	Total
Compensation (cash)			
Pay (fixed)			
Member	415,992	1,238,254	1,654,246
Pay (variable)			
Nordstern bonus	463,600	458,931	922,531
Other bonuses ¹		50,000	50,000
Shares/options²			
Advantage from share purchase at reduced price ³	81,600	122,400	204,000
Remuneration for additional work			
Additional services above and beyond regular duties		10,008	10,008
Total compensation (cash)	961,192	1,879,593	2,840,785

Compensation 2007 (CHF) – continued	Individual with highest compensation: CEO⁶	Other Executive Management Members	Total
Compensation (non-cash)			
Bonus bank opening balance	238,502	329,107	567,609
Bonus bank pay-out (negative value) and deduction (positive value) respectively	-143,286	-160,946	-304,232
Bonus bank closing balance	95,216	168,161	263,377
Benefits in kind	30,540	119,134	149,674
Pension expenses ⁴	143,513	274,099	417,612
Total compensation (non-cash)	30,767	232,287	263,054
Total compensation	991,959	2,111,880	3,103,839

Loans/credits 2007 (CHF)	Individual with highest compensation: CEO⁶	Other Executive Management Members	Total
Loans ⁵		60,750	60,750
Loans		60,750	60,750

¹ The Board of Directors may grant bonuses based on individual merit.

² There are no outstanding options.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ Employer's share

⁵ The loan was used to finance the acquisition of shares that are locked in for a certain period.

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

Note on the bonus bank: The agreed value added target was exceeded in the 2006 financial year. The target bonus plus one-third of the surplus was paid out. The remainder was carried forward in the bonus bank and offset against the 2007 bonus. The line "Nordstern bonus" now indicates the amount actually paid out for 2007. The negative balance in the line "Bonus bank pay-out (negative value) and deduction (positive value) respectively" now means that this amount was withdrawn from the bonus bank and not charged to expenses for 2007. Adding the lines "Nordstern bonus" and "Bonus bank pay-out (negative value) and deduction (positive value) respectively" yields the expense figure stated in the 2007 Income Statement.

In the year under review, transactions with related parties, namely the assistance function that was performed by Ally Management Group AG, Zurich, (KCHF 19) associated with Martin Hellweg, related only to the first quarter.

The interest rate on this loan provided to an Executive Management member is 2% per annum. The loans are for a term of four years. The locked-in shares acquired with these loans serve as security. There are no other loans to members of the Executive Management for purposes of the SWX Directive.

5.4 Compensation for former members of governing bodies No compensation or severance payments within the meaning of the SWX Directive went to former members of the Board of Directors or Executive Management who left during or before 2007; they received only their contractual notice entitlements.

5.5 Share allotment in the year under review On 10 January 2007, with the sale of Avins Industrial Products Corp. to the Swissmetal Group, Ralph Glassberg and parties closely linked to him acquired a total of 160,000 shares in UMS Swiss Metalworks Holding Ltd, Dornach.

One half of these shares are locked in, 80,000 until 10 January 2008, 53,332 until 10 January 2009 and 26,666 until 10 January 2010. The other half is placed in an escrow account for a maximum of three years, to cover any guarantee commitments.

During negotiation of new employment contracts, 3,000 shares were allotted to a member of the Executive Management in exchange for a loan. These shares are locked in for three years.

Members of the Board of Directors and Executive Management also had the opportunity to acquire up to 32,000 shares in all under the employee share ownership program.

5.6 Ownership of financial instruments The number of shares held by each member of the Board of Directors or Executive Management is given below:

2007	Number of shares (votes)
Friedrich Sauerländer Chairman of the BoD	4,000
Dominik Köchlin Vice chairman	2,000
Max Locher Member	801
Ralph Glassberg Member	160,000
Roger Bühler* Member	0
Martin Hellweg CEO	63,525
Volker Suchordt EVP Own Manufactured Products and Quality, Safety & Environment	18,000
Sam V. Furrer Chief Development Officer	3,000
Martin Heuschkel SVP Design Solutions and Chief Information Officer	1,500
Laura Rossini SVP Human Resources	0
Yvonne Simonis Chief Financial Officer	4,000
Greg Himstead SVP Head of Sales and Marketing	3,000

* The major shareholder Laxey Partners is not a closely linked party in the meaning of the SWX Directive in respect of its representative on the Board of Directors. For that reason, the number of shares it holds is not included. (See also section 1.2 Significant shareholders)

Other than these shares, there are no other outstanding financial instruments for the purposes of the SWX Directive.

6. SHAREHOLDERS' PARTICIPATION

6.1 Voting rights restrictions and representation

The bearer of a share who presents the share or is otherwise authenticated as the owner in a manner prescribed by the Board of Directors is entitled to exercise the right of voting vis-a-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 the voting shares represented unless the provisions of article 704 of the Swiss Code of Obligations stipulate otherwise.

6.3 Convocation of the general meeting of shareholders

The Annual General Meeting is held each year within six months of the end of the financial year. The General Meeting is convened by the Board of Directors or if necessary by the auditors, liquidators or creditors' representatives. The General Meeting is convened through a notice in the Swiss Official Gazette of Commerce no later than 20 days before the date of the meeting. The notice to attend must state the items to be discussed and the proposals of the Board of Directors and of shareholders who have requested 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 The rules set out in the Articles of Incorporation on inclusion in the agenda of items to be discussed at the General Meeting do not differ in any way from those laid down by law. Thus, shareholders must submit proposals in sufficient time for them to be sent with the invitation and within the same statutory period, i.e. 20 days before the General Meeting.

6.5 Inscriptions into the share register Since UMS Swiss Metalworks Holding Ltd does not issue registered shares, there are no entries made in the share register.

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1 Duty to make an offer The Swissmetal Group has not adopted any defense measures against takeover attempts. The governing bodies are of the opinion that the best defense is an appropriate share valuation and reliance on free market forces rather than depending on the measures that generally have a negative long-term impact on the share price. The company's Articles of Incorporation 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 Although the Swissmetal Group attaches fundamental importance to paying bonuses for successes, it does not compensate failure to achieve results by, for example, paying golden handshakes in the event of severance. Swissmetal executives can expect substantial rewards for exceptional performance, but will not receive inappropriate "parachutes".

Accordingly, the company awards performance-related bonuses for clearly defined goals that further the implementation of the Group's strategy. Industrial consolidation is a cornerstone of the corporate strategy defined and implemented by Swissmetal. The Swissmetal Group rewards progress in this area by awarding performance-related bonuses. In connection with this, the Board of Directors agreed bonuses of various sizes with the seven members of the Executive Management, six other senior executives and members of the Board of Directors and Executive Management who had worked on special projects connected with industrial consolidation. These bonuses would be paid out in the event of an acquisition, merger or similar transaction as recognition of the recipient's outstanding achievements. The bonuses are geared to the attainment of the defined target and the achievements of the recipient. The size of the bonus to be awarded depends partly on the recipient's current salary and partly on the value of the transaction. Performance-dependent bonuses payable to the recipients mentioned above may reach a maximum total of CHF 4.877 million.

8. AUDITORS

8.1 Duration of the mandate and term of office of the lead auditor PricewaterhouseCoopers AG, Basel (known as 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 financial statements. The auditors are appointed by the Annual General Meeting for a period of one year.

8.2 Auditing fees The total auditing fees charged by the auditors in the year under review was CHF 667,000 (2006: CHF 389,056).

8.3 Additional fees The fees for additional services associated with the acquisition of Avins Industrial Products Corp., Warren/NJ, the implementation of IFRS and various tax services for UMS Swiss Metalworks Holding Ltd or one of its subsidiaries amounted to CHF 784,600 for the year under review (2006: CHF 368,753).

8.4 Supervisory and control instruments pertaining to the audit The Audit Committee of the Board of Directors reviews the independence and performance of the external auditors and makes recommendations to the Board of Directors. The auditors submit regular reports to the Executive Management/Group Management and the Board of Directors containing the results of its work and recommendations. The Board of Directors is aided by the audit plan concerning audit strategy/procedure, the two Management Letters (one after the preliminary audit and one after the final audit), the Report to the Board of Directors and the Auditors' Reports.

Among the issues discussed with the Audit Committee are the audit procedure, the milestones and the key audit findings. A meeting is held with the Board of Directors to discuss the annual financial statements prior to their approval by this body. In 2007, at least one representative of the auditors attended one (2006: one) meeting of the Audit Committee and one (2006: one) meeting of the Board of Directors.

9. INFORMATION POLICY

The Swissmetal Group regularly informs shareholders and investors of its business activities and the general state of the industry through press releases, conferences upon the release of the annual financial statements, analyst conferences, the annual report, half-year and quarterly reports and the provision of background information.

Further information is available at:

www.swissmetal.com



ANNEALED BRASS, MAGNIFICATION 200x



AS CAST TIN BRONZE, MAGNIFICATION 300x

FINANCIAL REPORT 2007

SWISSMETAL GROUP

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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; the single entity financial statements of UMS Swiss Metalworks Holding Ltd are prepared in accordance with the Swiss Code of Obligations.

CONSOLIDATED INCOME STATEMENT

SWISSMETAL GROUP

	Notes	2007		2006	
		CHF 000	%	CHF 000	%
Gross sales	01	406,959	274.0	357,612	253.4
Deductions from gross sales	02	-12,711	-8.6	-13,940	-9.9
Net sales		394,248	265.4	343,672	243.5
Cost of materials and changes in stock	03	-245,729	-165.4	-202,551	-143.5
Gross margin	04	148,519	100.0	141,121	100.0
Other operating income	05	2,079	1.4	1,989	1.4
Own work capitalized	06	331	0.2	84	0.1
Personnel expenses	07	-74,744	-50.3	-77,273	-54.8
Operating and administrative expenses	08	-47,545	-32.0	-38,364	-27.2
Operating income before depreciation (EBITDA)		28,640	19.3	27,557	19.5
Depreciation on property, plant and equipment	09	-10,584	-7.1	-14,837	-10.5
Depreciation on intangible assets	09	-3,509	-2.4	-2,535	-1.8
Operating income (EBIT)		14,547	9.8	10,185	7.2
Financial result	10	-2,836	-1.9	-2,087	-1.5
Ordinary result		11,711	7.9	8,098	5.7
Non-operating result	11	788	0.5	87	0.1
Extraordinary result	12	759	0.5	0	0.0
Earnings before taxes (EBT)		13,258	8.9	8,185	5.8
Taxes	13	-1,886	-1.2	-3,579	-2.5
Result for the year before minority interests		11,372	7.7	4,606	3.3
Minority interests		0	0.0	7	0.0
Result for the year (EAT)		11,372	7.7	4,613	3.3

The corresponding figures of the acquired company Avins Industrial Products Corp., Warren/NJ, USA, since January 2007, as well as the figures for the newly founded companies Swissmetal Design Solutions Ltd, Dornach, since July 2007, and the Avins Switzerland Ltd, Dornach, since October 2007, are included in the 2007 consolidated income statement.

The corresponding figures of Swissmetal Lüdenscheid GmbH, Lüdenscheid, for the months of February to December 2006 are included in the 2006 consolidated income statement.

Swissmetal Italia s.r.l., Milan, is included in the consolidated income statement for the last time in 2006, as the company was deconsolidated as of 30 June 2006.

EBITDA: Earnings before interest, taxes, depreciation and amortization
 EBIT: Earnings before interest and taxes
 EBT: Earnings before taxes
 EAT: Earnings after taxes

CONSOLIDATED BALANCE SHEET
SWISSMETAL GROUP

ASSETS	Notes	31.12.2007		31.12.2006	
		CHF 000	%	CHF 000	%
Current assets					
Cash and cash equivalents	14	21,065	8.9	20,398	9.3
Securities	15	171	0.1	66	0.0
Notes receivable and cheques		83	0.0	78	0.0
Trade accounts receivable	16	29,270	12.4	31,013	14.2
Other receivables	17	11,629	4.9	8,158	3.7
Loans to related parties		61	0.0	87	0.0
Stock	18	84,485	35.7	68,910	31.5
Prepaid expenses and accrued income	19	1,032	0.4	595	0.3
Total current assets		147,796	62.4	129,305	59.0
Fixed assets					
Property, plant and equipment	20	78,413	33.1	78,308	35.7
Financial assets	21	1,826	0.8	5,819	2.7
Intangible assets	20	8,904	3.7	5,703	2.6
Total fixed assets		89,143	37.6	89,830	41.0
TOTAL ASSETS		236,939	100.0	219,135	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	CHF 000	%	CHF 000	%
Short-term liabilities					
Interest-bearing liabilities	23	12,535	5.3	12,461	5.7
Trade accounts payable	24	25,988	11.0	33,061	15.1
Other liabilities	25	7,147	3.0	6,782	3.1
Accrued expenses and prepaid income	26	4,218	1.8	4,919	2.2
Provisions	27	2,091	0.8	718	0.3
Total short-term liabilities		51,979	21.9	57,941	26.4
Long-term liabilities					
Loan	28	30,102	12.7	17,683	8.1
Other liabilities	25	989	0.4	2,056	1.0
Provisions	27	14,264	6.0	15,151	6.9
Total long-term liabilities		45,355	19.1	34,890	16.0
Total liabilities		97,334	41.0	92,831	42.4
Shareholders' equity	29				
Share capital		59,617	25.2	58,910	26.9
Capital reserves		38,842	16.4	37,420	17.0
Retained earnings		32,631	13.8	27,732	12.7
Own shares		-3,012	-1.3	-2,699	-1.2
Cumulated exchange rate translation differences		155	0.1	328	0.1
Result for the year (EAT)		11,372	4.8	4,613	2.1
Total shareholders' equity		139,605	59.0	126,304	57.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		236,939	100.0	219,135	100.0

The corresponding figures for the acquired company Avins Industrial Products Corp., Warren/NJ, USA, since 2007 as well as the figures for the newly founded companies Swissmetal Design Solutions Ltd, Dornach, since July 2007, and Avins Switzerland Ltd, Dornach, since October 2007, are also included in the consolidated balance sheet as of 31 December 2007.

The corresponding figures for Swissmetal Lüdenscheid GmbH, Lüdenscheid, are also included in the consolidated balance sheet as of 31 December 2006. Swissmetal Italia s.r.l., Milan, is no longer included in the consolidated balance sheet as of 31 December 2006, as the company was deconsolidated as of 30 June 2006.

CONSOLIDATED CASH FLOW STATEMENT

SWISSMETAL GROUP

CHF 000	2007	2006
Cash flow from operating activities		
Result for the year	11,372	4,613
Depreciation on property, plant and equipment and intangible assets	14,093	17,372
Change in provisions		
· Short-term	1,370	-1,503
· Long-term	-2,252	2,898
Other non-cash income statement items	-494	-762
Cash flow before change in net current assets	24,089	22,618
Change in securities	-102	-692
Change in trade accounts receivable	6,460	4,092
Change in prepaid expenses and accrued income	148	428
Change in stock	-7,516	-12,494
Change in trade accounts payable	-12,962	14,358
Change in other short-term liabilities and accrued expenses and prepaid income	-1,970	4,799
Total cash flow from operating activities	8,147	33,109
Cash flow from investing activities		
Acquisition of property, plant and equipment	-10,995	-17,849
Disposal of property, plant and equipment	1,308	11
Acquisition of intangible assets	-1,252	-443
Usage of employer contribution reserve	1,960	0
Acquisition of shareholdings and long-term securities*	-7,012	-10,099
Total cash flow from investing activities	-15,991	-28,380
Free cash flow	-7,844	4,729
Cash flow from financing activities		
Increase in liabilities to banks	6,642	13,303
Decrease in liabilities to banks	0	-10,101
Change in loans	-2	-1,309
Proceeds from capital increase (incl. premium)	2,129	0
Purchase of own shares	-313	0
Total cash flow from financing activities	8,456	1,893
Effect of exchange rate on cash and cash equivalents	55	55
Net change in cash and cash equivalents	667	6,677
Cash and cash equivalents as at 1 January	20,398	13,721
Cash and cash equivalents as at 31 December	21,065	20,398

* This item includes the acquisition of Avins Industrial Products Corp., Warren/NJ, in 2007 as well as of Swissmetal Lüdenscheid GmbH, Lüdenscheid, in 2006. (See also Acquisition)

The corresponding figures for the acquired company Avins Industrial Products Corp., Warren/NJ, USA, since January 2007 as well as the figures for the newly founded companies Swissmetal Design Solutions Ltd, Dornach, since July 2007 and Avins Switzerland Ltd, Dornach, since October 2007 are included in the 2007 consolidated cash flow statement.

The corresponding figures for Swissmetal Lüdenscheid GmbH, Lüdenscheid, for the months of February to December 2006 are included in the 2006 consolidated cash flow statement. Swissmetal Italia s.r.l., Milan, was deconsolidated as of 30 June 2006. Its cash flows are therefore included in the consolidated cash flow statement for the last time in 2006.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SWISSMETAL GROUP

CHF 000	Share capital	Capital reserves ¹	Own shares	Retained earnings ²	Cumulated exchange rate translation differences	Total excluding minority interests	Minority interests	Total incl. minority interests
Balance as at 1 January 2006	58,910	37,420	-700	27,732	-45	123,317	91	123,408
Allocation to own shares			-1,999			-1,999		-1,999
Change in scope of consolidation					-16	-16	-91	-107
Result for the year – 2006				4,613		4,613		4,613
Reclassification of exchange rate translation differences					389	389		389
Balance as at 1 January 2007	58,910	37,420	-2,699	32,345	328	126,304	0	126,304
Transactions with own shares			-313	286		-27		-27
Capital Increase	707	1,422				2,129		2,129
Result for the year – 2007				11,372		11,372		11,372
Reclassification of exchange rate translation differences					-173	-173		-173
Balance as at 31 December 2007	59,617	38,842	-3,012	44,003	155	139,605	0	139,605

¹ Includes retained statutory reserves and shareholders' equity transaction costs

² Includes the profits from initial and subsequent consolidation, unappropriated retained earnings, the effect from the first-time application of Swiss GAAP FER 16 (Pension Plans) and result for the period

In the position "Own shares" additional CHF 0.3 million were deducted from shareholders' equity as of 31 December 2007 in accordance with Swiss GAAP FER 24, due to the net purchase of 11,000 own shares in 2007. Retained earnings amounting to CHF 44.0 million including CHF 29.3 million non-distributable reserves for the individual companies.

The General Meeting held on 16 May 2007 approved the creation of conditional capital. The share capital will be increased by an amount not exceeding CHF 22.5 million by issuing not more than 2,500,000 bearer shares, each with a par value of CHF 9.00.

The General Meeting held on 30 June 2006 approved the creation of authorized capital and consequently authorized the Board of Directors to increase the company's share capital at any time up to 30 June 2008 in the maximum amount of CHF 23,563,998 by issuing at most 2,618,222 bearer shares, each with a par value of CHF 9.00, to be paid in full.

Number	31.12.2007	31.12.2006
Balance of own shares	145,000	134,000

As of 31 December 2007, the portfolio of own shares was made up of 145,000 shares, which represents an increase of 11,000 shares compared to 31 December 2006. The own shares are held for potential prospective acquisitions as well as for the employee share participation program. At the present no derivative instruments on own shares are outstanding. (See also UMS Swiss Metalworks Holding Ltd, Dornach, Statement of Changes in Shareholders' Equity)

The Swissmetal Group increased the amount of own shares in January 2007 to partially finance the acquisition of Avins Industrial Products Corp., Warren/NJ, with own shares. In January 2007, after this acquisition which required altogether 120,000 shares as part of the purchase price, the amount of own shares decreased. UMS Swiss Metalworks Holding Ltd, Dornach, sold further 3,000 shares in connection with share-based payments to the employees. In the further course of the year under review, the Swissmetal Group increased the amount of own shares again.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SWISSMETAL GROUP

The consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and the notes) as of 31 December 2007 have been approved by the Board of Directors of the Swissmetal Group on 8 April 2008.

SCOPE OF CONSOLIDATION

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

The scope of consolidation as of 31 December 2007 comprised the following companies:

- UMS Swiss Metalworks Holding Ltd, Dornach, Switzerland
- Swissmetal – UMS Swiss Metalworks Ltd, Dornach, Switzerland, with plants in Reconvilier and Dornach (wholly owned)
- Swissmetal Lüdenscheid GmbH (formerly: Busch-Jaeger Metallwerk GmbH), Lüdenscheid, Germany (wholly owned)
- Avins Germany GmbH (formerly: Swissmetal Deutschland Handelsgesellschaft mbH), Lüdenscheid, Deutschland (wholly owned)
- Avins International Ltd, Dornach, Switzerland (wholly owned)
- Avins Industrial Products Corporation, Warren/NJ, USA (wholly owned)
- Swissmetal Design Solutions Ltd, Dornach, Switzerland (wholly owned)
- Avins Switzerland Ltd, Dornach, Switzerland (wholly owned)

Changes in the scope of consolidation due to acquisition in the financial year 2007:

- As of 1 January 2007: first-time consolidation of Avins Industrial Products Corporation, Warren/NJ, USA (wholly owned)

Changes in the scope of consolidation due to newly established companies in the financial year 2007:

- As of 1 July 2007: first-time consolidation of Swissmetal Design Solutions Ltd, Dornach, Switzerland (wholly owned)
- As of 1 October 2007: first-time consolidation of Avins Switzerland Ltd, Dornach, Switzerland (wholly owned)

ACQUISITION

As of 1 January 2007, Avins International Ltd, Dornach, purchased 100% of the share capital of the American trading company Avins Industrial Products Corp., Warren/NJ. The goodwill on the acquisition and net assets acquired are as follows:

Purchase price	CHF 000
Share price	7,396
Fair value of net assets acquired	-4,930
Goodwill	2,466

The goodwill consists mainly of the synergy effects expected from the adaptation of the Group-wide sales organization to the Avins sales structure. The fair value of the net assets acquired can be broken down as follows:

CHF 000	Fair value	Carrying value of acquired company
Current assets		
Cash and cash equivalents	384	384
Trade accounts receivable	7,095	7,095
Stock	8,210	7,976
Other current assets	117	117
Total current assets	15,806	15,572

CHF 000 – continued	Fair value	Carrying value of acquired company
Fixed assets		
Property, plant and equipment	132	168
Financial assets	166	171
Intangible assets	3,002	84
Total fixed assets	3,300	423
Total short-term liabilities	-6,670	-6,670
Total long-term liabilities	-7,506	-6,180
Net assets	4,930	3,145
Minority interests	0	
Net assets acquired	4,930	
		CHF 000
Purchase price paid in cash and cash equivalents		7,396
Cash and cash equivalents available in acquired company		-384
Cash flow due to transaction		7,012

(See also Events occurring after the balance sheet date for details of the acquisition of RM Precision Swiss Inc., Las Vegas/NV)

PRINCIPLES OF CONSOLIDATION

The consolidated annual financial statements give a true and fair view of the financial position, the results of operations and cash flows in accordance with the entire Swiss GAAP FER framework.

Equity is consolidated in accordance with the purchase method (revaluation method). In the case of an acquisition, the assets acquired and liabilities assumed are revalued at their acquisition date's fair values in accordance with Group-wide policies. The goodwill thereby acquired is capitalized in the consolidated financial statements. In applying the full consolidation method, assets, liabilities and equity, as well as expenses and income of consolidated companies are fully recognized. The minority interests' share in the equity and profit or loss 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. In 2007, the intercompany profits on inventories have been eliminated. As a rule, unconsolidated investments in affiliates are recognized using the equity method.

PRINCIPLES OF VALUATION

The assets, liabilities and the equity of the Swissmetal Group are valued in accordance with the entire Swiss GAAP FER framework 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.

Inventories The method for valuing inventories is adjusted to operating requirements. Production companies value crude metals and own makes (metal content) using the LIFO principle (last-in-first-out), taking into account the purchase and delivery obligations existing as of the balance sheet date.

Inventories of trading companies are recognized at average cost. Inventories are recognized on a full-cost basis. The spare parts, tools as well as auxiliary and operating materials are not capitalized, if they do not exceed the capitalization limit of CHF 5,000 and if they are not used longer than one year.

Provisions All recognizable and measurable risks of loss have been taken into account by 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 and liabilities in foreign currency are recognized using the respective year-end rates. Exchange rate gains or losses on cash and cash equivalents are recognized in the income statement. Losses from receivables and liabilities, after adjusting for open hedges, are likewise recognized in the income statement. Gains from receivables and liabilities, after adjusting for open hedges, are treated as current liabilities.

The balance sheets of foreign Group companies are translated using the current rate method at the year-end rates as of 31 December 2007 and 31 December 2006, respectively. The income statements of foreign Group companies are translated using the average annual rates. The translation adjustments are recognized directly in shareholders' equity as foreign currency translation differences.

CHF	2007		2006	
	Balance sheet	Income statement	Balance sheet	Income statement
1 EUR	1.659	1.643	1.610	1.573
1 USD	1.127	1.200	1.220	1.254
1 GBP	2.250	2.402	2.389	2.308

Maturities Receivables and liabilities with an economic life of more than 12 months are classified as non-current. Portions of non-current items that become due within 12 months are reclassified as current.

Research and development Direct research and development expenses totaled CHF 0.7 million in 2007 (previous year: CHF 1.0 million) and were not capitalized, but recognized in the income statement. Personnel costs of CHF 0.3 million (previous year: CHF 0.6 million) accounted for the largest portion of the research and development expenses. In addition, research and development expenses attributable to the various production departments are estimated at CHF 1.3 million (previous year: CHF 2.0 million).

The research and development focus in the 2007 financial year was on projects for the aircraft and oil industries and their suppliers. In addition, Swissmetal invested in the improvement of the so-called Conform method. The collaboration with the Swiss Federal Institute of Technology in Lausanne has proved its worth. Therefore, the running projects have been continued and a new one has been started.

Provisions for doubtful accounts Provisions for doubtful accounts are comprised of individual adjustments as well as a global allowance of 3% (based on experience) of the balance of unsecured receivables and are directly deducted from accounts receivable.

Property, plant and equipment and intangible assets

Capitalization principles Property, plant and equipment and intangible assets are capitalized at cost. Operationally required depreciation is deducted from this amount. Assets exceeding the cost of CHF 5,000 per project and whose expected useful life is at least two years are capitalized.

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

Land and buildings	Years	%
Land		
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
Customer Relationship	5	20.0
Non-compete agreement	2	50.0
Trademark/Trade name	5	20.0
Goodwill	5	20.0

If the useful life that is actually expected is shorter than 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 of permanent 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. In the case of impairment, the carrying value must be reduced to the recoverable amount and the impairment charged to the income statement.

EMPLOYEE BENEFIT OBLIGATIONS

Since 1 January 2000, the Swissmetal Group has accounted for pension obligations in accordance with Swiss GAAP FER 16.

The Swissmetal Group bears the costs of the pensions for all employees and their surviving dependents as required by local legislations.

In this regard, all significant pension plans are subject to Swiss law. The pension liabilities and the related pension assets are held in 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 respective by-laws. The pension liabilities are regularly reassessed by pension fund experts. Pursuant to Swiss GAAP FER 16, the Swissmetal Group's pension plans are defined benefit plans.

The Group companies Swissmetal Lüdenscheid GmbH, Lüdenscheid, Avins Industrial Products Corp., Warren/NJ, and Avins Germany GmbH, Lüdenscheid, do not operate independent staff pension funds. Therefore, appropriate provisions are recognized in the consolidated balance sheet.

RESTATEMENT

On 5 March 2008, the Board of Directors of the Swissmetal Group has decided to correct the opening balance sheet of the consolidated financial statements as of 1 January 2006 in connection with the social plan based on the following explanation. The rationale is based on Swiss GAAP FER 16 and 23.

In October 2005 the Board of Directors of the Swissmetal Group has decided to implement the “industrial concept”. At that time, it was assumed that the Welfare Fund Foundations of Swissmetal will bear the related cost. As a result no expenses should occur for the Swissmetal Group and therefore no provision were recognized.

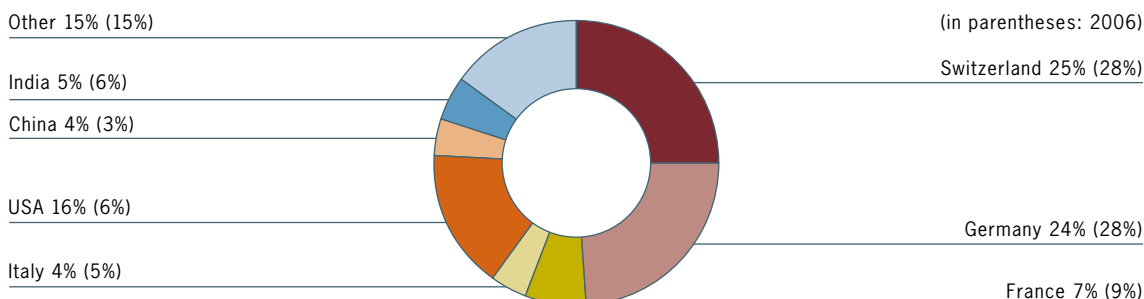
While preparing the consolidated financial statements 2007, it was concluded to present this matter on a gross basis. On the one hand, the costs and therewith the required provision for the social plan were estimated at CHF 2.0 million in accordance with Swiss GAAP FER 16 and 23 and based on internal data. On the other hand, the free capital of the Welfare Funds of Swissmetal was not capitalized because no utilization was planned. With the gross treatment, the benefit from Swissmetal’s Welfare Funds was set at CHF 2.0 million.

The restatement in the consolidated financial statements 2007/2006 has been accounted for in the opening balance sheet as of 1 January 2006. The corresponding disclosures are presented in the notes to the annual report 2007. The effect of the corresponding entries was recorded, as of 1 January 2006 and in the year 2007, respectively, not affecting operating result on a net basis.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

SWISSMETAL GROUP

1 – Gross sales In the year 2007, gross sales of CHF 407.0 million (previous year CHF 357.6 million) were generated. Of this amount, CHF 4.0 million (previous year CHF 23.5 million) is attributable to the sale of metals as part of the stock-optimization program, which benefits from improvements of business processes. Deducting the proceeds from metal sales, gross sales thus totaled CHF 403.0 million in 2007, which represents an increase of CHF 68.9 million compared to the previous year's amount of CHF 334.1 million. The increase reflects primarily the overall increased business activities. Avins Industrial Products Corp., Warren/NJ, which has been acquired in 2007, contributed CHF 39.3 million in turnover in the year under review, of which CHF 26.4 million were related to third parties trade goods. The breakdown of gross sales by geographical region after deducting the proceeds of metal sales is as follows:



The Swissmetal Group generated 49% (2006: 56%) of its sales with companies in its home markets in Switzerland and Germany and 51% (2006: 44%) from companies abroad. The two remaining major European markets, France and Italy, accounted for 11% of the sales (2006: 14%). The increase in the US market from 6% in 2006 to 16% in 2007 is primarily attributable to the acquisition of Avins Industrial Products Corp., Warren/NJ.

2 – Deductions from gross sales Deductions from gross sales decreased from CHF 13.9 million to CHF 12.7 million, despite increased business activity since in 2007 certain credit notes were newly deducted directly from gross sales due to alignment of Group guidelines. The deductions in relation to the gross sales adjusted for the sale of metals (CHF 403.0 million) decreased by 3%, which represents a slight decline compared to the prior-year level. (See also Gross sales)

3 – Cost of materials and changes in stock The cost of materials and changes in stock increased by CHF 43.2 million to CHF 245.7 million compared to the previous year. This is primarily attributable to the increased business activity that resulted partially from the acquisition of Avins Industrial Products Corp., Warren/NJ, in the year under review.

4 – Gross margin The gross margin in 2007 amounted to CHF 148.5 million and was CHF 7.4 million above the previous year. Besides for the increased business activity, benefits from the consistent continuation of the stock-efficiency program are also represented in this increase. In this program, efforts are taken to reduce the stock of metals used in the production cycle. The operational stock-efficiency benefits in 2007 amounted to CHF 7.1 million (previous year CHF 15.7 million) in terms of gross margin. These benefits were generated from physical stock sales as well as from lower purchases.

5 – Other operating income Other operating income totaled CHF 2.1 million (previous year CHF 2.0 million). This includes particularly the income that arose from reimbursements from insurance companies, the passing on of personnel costs as well as income from metal contracts (CHF 0.7 million).

6 – Own work capitalized Own work capitalized consists of work by the company's own staff for capital expenditures in plant, property and equipment; it increased from CHF 0.1 million in 2006 to CHF 0.3 million in 2007 due to work performed on the new extrusion press in Dornach.

7 – Personnel expenses In 2007, personnel expenses amounted to CHF 74.7 million, which reflects a decrease of CHF 2.5 million. Personnel expenses include the provisions for bonuses of CHF 1.7 million (including social contributions; previous year CHF 4.8 million).

The average headcount decreased from 879 to 801 full-time equivalents. On the one hand, headcount decreased particularly as part of the industrial restructuring of Swissmetal, on the other hand, the acquisition of Avins Industrial Products Corp., Warren/NJ lead to an increase of 17 full-time equivalents.

The ratio of personnel expenses to gross margin has improved from 55% in 2006 to 50% in 2007 because of further increased efficiencies.

8 – Operating and administrative expenses

CHF 000	2007	2006
Energy	12,245	11,025
Operating materials	19,252	14,578
Administrative expenses	11,924	11,179
Other expenses	4,124	1,582
Total operating and administrative expenses	47,545	38,364

In 2007, the operating and administrative expenses amounted to CHF 47.5 million (previous year CHF 38.4 million), whereas all the mentioned sub-categories have contributed to this increase.

The higher energy prices reflect primarily the general increase in electricity and petrol prices.

The cost for operating materials increased due to the increased business activity but also due to the higher maintenance costs and the initial costs for a range of new tools for the new extrusion press in Dornach. The costs of the water damage are also included in this item, but have been covered by the insurance to a large extent. The proceeds are recognized in the other operating income.

Administrative expenses which include, among other things, costs for insurance, information technology, communication and consulting, rose in 2007 by CHF 0.7 million to CHF 11.9 million. The increase results mainly from external advisory service costs due to the IFRS project (CHF 0.5 million). Furthermore, the establishing and the advisory costs relating to the newly-included Avins companies had an impact.

The other expenses of CHF 4.1 million (previous year CHF 1.6 million) comprise travel and related expenses as well as rental costs and other disbursements relating to the acquired trading company Avins Industrial Products Corp, Warren/NJ.

9 – Depreciation Depreciation totaled CHF 14.1 million, which reflects a decrease of CHF 3.3 million compared to the previous year (CHF 17.4 million). The reasons for this decrease being mainly the change in the utilization of the manufacturing buildings in Reconvilier (plant 1 will be retained as manufacturing plant) and the shortened depreciation periods in 2006.

The amortization of goodwill arising from the acquisition of Swissmetal Lüdenscheid GmbH, Lüdenscheid, amounts to CHF 1.0 million (previous year CHF 1.0 million); the amortization of goodwill arising from the acquisition of Avins Industrial Products Corp., Warren/NJ, amounts to CHF 0.5 million for the first time in 2007. The goodwill is subject to the amortization of the respective companies.

At CHF 29.1 million, the plants under construction are not yet being depreciated. The largest item in this asset class is the new extrusion press in Dornach, which will be depreciated from January 2008 on. (See also Property, plant and equipment and intangible assets)

10 – Financial result

CHF 000	2007	2006
Financial income	130	316
Financial expenses	-3,443	-2,665
Exchange rate differences	477	262
Financial result	-2,836	-2,087

The net financial result rose by CHF 0.7 million to CHF –2.8 million compared to the previous year. The main reason for this increase is the interest expense on the loan from the acquired company Avins Industrial Products Corp., Warren/ NJ in 2007, with CHF –0.6 million. The broadening of the warehouse facilities in Switzerland in the second half of the year increased financial expenses as well, but has been compensated by better terms.

The average interest of 4.8% has increased by 0.5% from its prior-year level, on the one hand because of the increased interest rates and, on the other hand, because the part of the low interest compulsory stock-pile loan has been further repaid as planned and therefore constituted a comparatively small part of the interest expense. (See also Interest-bearing liabilities (current)).

In the year 2007, interest of more than CHF 2.9 million (previous year CHF 2.1 million) have been paid. Swissmetal received interest of CHF 0.1 million (previous year CHF 0.1 million).

11 – Non-operating result

CHF 000	2007	2006
Non-operating income	794	93
· Income from sale of plant and equipment	778	11
· Other non-operating income	16	82
Non-operating expenses	-6	-6
Non-operating result	788	87

In 2007, non-operating income amounted to CHF 0.8 million (previous year CHF 0.1 million). This gain is the result of the sale of land not required for operations at the Dornach site with a profit of CHF 0.8 million.

12 – Extraordinary result In 2007, an extraordinary result of CHF 0.8 million has been recognized (previous year nil) due to receivables in connection with the refinancing in 2004. This receivable has been revalued, which increased the net book value by CHF 0.8 million to 90% of the outstanding amount. (See also Financial Statements of UMS Swiss Metalworks Holding Ltd, Dornach, Other receivables)

13 – Taxes Tax expenditures totaled CHF 1.9 million, a decrease of CHF 1.7 million of tax expenditures compared to the previous year with CHF 3.6 million. Taxes on income accounted for CHF 1.6 million, taxes on capital for CHF 0.2 million, deferred and other taxes for CHF 0.1 million. (See also Financial assets)

The tax expenses decreased despite the increase in profit having several influencing factors: The government of the Canton of Solothurn has approved loss carry-forwards for all Swissmetal activities, which can be used in the upcoming seven years. The positive impact has been recognized in the year 2007 with CHF 1.5 million and was capitalized accordingly. In addition, the tax rate in Germany has decreased considerably to 30% since 2007 because of legal changes. Furthermore, a considerable part of the profit was generated in Switzerland, where tax rates are comparatively low, due to the positive effect of Reconvilier in the period under review. In the year of 2007, CHF 0.9 million taxes were paid (previous year CHF 0.5 million).

NOTES TO THE CONSOLIDATED BALANCE SHEET

SWISSMETAL GROUP

14 – Cash and cash equivalents As of the balance sheet date, cash and cash equivalents totaled CHF 21.1 million (previous year CHF 20.4 million), which represents a minor increase compared to 31 December 2006 of CHF 0.7 million. (See also the Consolidated cash flow statement)

15 – Securities Securities increased by CHF 0.1 million to CHF 0.2 million compared to the previous year.

16 – Trade accounts receivable Trade accounts receivable have decreased by CHF 1.7 million compared to the previous year to CHF 29.3 million. The accounts receivable increased at the beginning of the year due to the acquisition of Avins Industrial Products Corp., Warren/NJ. Due to the active accounts receivable management as well as increased factoring quotas an overall decrease has been achieved. The value adjustments (individual and lump-sum) amounted to CHF 1.7 million on 31 December 2007, compared with CHF 2.7 million the year before. A part of the trade accounts receivable was ceded and therefore derecognized in the balance sheet of the Swissmetal Group. In the year 2007, gross accounts receivable amounted to CHF 48.0 million (previous year CHF 56.4 million), of which CHF 42.2 million was ceded on 31. December 2007. (See also Contingent liabilities and Credit line)

In connection with the acquisition of Avins Industrial Products Corp., Warren/NJ, it was noted that one of its clients has built uninsured receivables to a very great extent after the Closing Due Diligence and before the Closing within two days, without the contractually required reporting from the sellers to the Swissmetal Group. The amount outstanding amounted to net CHF 1.2 million as at 1. January 2007, the date of the first-time consolidation. In accordance with the share purchase agreement and with today's state of knowledge, the Swissmetal Group will pass on the losses from receivables to the sellers in the amount of the not orderly reported building of receivables between Closing Due Diligence and Closing.

17 – Other receivables As of 31 December 2007, other receivables totaled CHF 11.6 million (previous year CHF 8.2 million). The increase of CHF 3.5 million is mainly caused by the CHF 2.5 million increase in VAT credits. Other receivables are composed primarily of VAT credits (CHF 5.3 million), receivables that arose in connection with the refinancing in 2004 (CHF 3.4 million net) and other receivables from public institutions.

The receivable relating to the refinancing in 2004 has been revalued, which increased the net book value by CHF 0.8 million to 90% of the outstanding amount.

18 – Stock Stock break down as follows:

CHF 000	31.12.2007	31.12.2006
Crude metals	20,074	13,976
Own makes – metal content	39,920	41,542
Own makes – value added	14,732	13,270
Trade products	9,721	11
Other stock	38	111
Total stock	84,485	68,910

Stock levels at the manufacturing plants have been reduced by 700 tonnes from 12,700 tonnes in the previous year to 12,000 tonnes through active warehouse management, whereas the bulk of the reduction due to better logistics processes, mostly in work in process.

The total stock balance rose from CHF 68.9 million by CHF 15.6 million to CHF 84.5 million. The value of the metals (crude metals and own makes metal content) per tonne has increased from CHF 4,371 in 2006 to CHF 5,000 in 2007. This reflects particularly the combination of the following effects: As the volumes of the lower-priced share of the stock at the Swiss plants decreased, the average value of total stock rose in line with rising metal prices. As a result, the share of purchase and sales commitments measured at contract value has a stronger weighting in the stock value as of 31 December 2007. As the average value of stock of Swissmetal Lüdenscheid GmbH, Lüdenscheid, which is valued according to the LIFO (last in, first out) principle, was already at a high level for the first-time consolidation as of 1 February 2006, these volumes further increased the average total value. The market value in the stock totaled CHF 94.3 million as of 31 December 2007, which represented a decrease of CHF 13.8 million compared to the previous year (CHF 108.1 million). (See also Principles of valuation)

19 – Prepaid expenses and accrued income Prepaid expenses and accrued income amounted to CHF 1.0 million as of 31 December 2007, an increase of CHF 0.4 million compared to the previous year. In 2007, the fair value of the hedging instruments of CHF 0.1 million is included in this position.

20 – Property, plant and equipment and intangible assets The asset class “Buildings” included buildings not required for operations with a carrying value of CHF 0.4 million as of 31 December 2007 (previous year: CHF 0.4 million).

In the asset class “Other equipment”, trucks were sold in the year under review, having a net book value of CHF 0.4 million. The additions under “Assets under construction” were mainly related to the new extrusion press, which accounts for CHF 27.9 million at the end of 2007; CHF 8.8 million were recorded in the year under review as an addition.

Other additions included in the year under review finishing equipment each in Dornach and Reconvilier, a connection to the new extrusion press in Dornach as well as IT investments i.e. the SAP introduction in Lüdenscheid, with a total of CHF 3.4 million.

Intangible assets increased by CHF 3.2 million to CHF 8.9 million and consisted of CHF 5.4 million in goodwill from the acquisition of Swissmetal Lüdenscheid GmbH, Lüdenscheid, in 2006 and of Avins Industrial Products Corp., Warren/NJ, in 2007 as well as CHF 3.5 million in software and other intangible assets. A part of the software is relating to the SAP expansion in Lüdenscheid.

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 present in 2007 as in the previous years, so that the 2002 impairment adjustment of CHF 12.7 million (gross value) still remains. (See Statement of changes in tangible and intangible assets)

21 – Financial assets The financial assets amount to a total of CHF 1.8 million in 2007 and are composed of deferred taxes for CHF 1.4 million, the employer contribution reserves for CHF 0.3 million and loans for more than CHF 0.1 million. The capitalized deferred taxes are in connection with new fiscal loss carry-forwards of CHF 7.4 million which can be claimed at least up until 2014.

In the prior year the total amount of CHF 5.8 million was composed of the assets from employer contribution reserves of CHF 2.2 million, the capitalized economical benefits from the Welfare Funds of CHF 2.0 million in connection with the provision for the social plan and deferred taxes of CHF 1.6 million. CHF 0.5 million deferred taxes concern the Restatement. (See also Restatement)

22 – Assets from employer contribution reserves and pension funds The situation in the Swiss employee benefit funds is as follows:

Economic benefits/obligation and pension expense								
CHF 000	Surplus/deficit pursuant to Swiss GAAP FER 26 (Basis 31.12.2006)	Company's economic benefit		Change from prior year or recognized in income during the fiscal year	Contribution concerning the business period	Pension expense included in personnel expenses		
		31.12.2007	31.12.2007			31.12.2006	2007	2006
		Welfare funds/ pension plans	4,627			0	2,000	-2,000
Pension plans with surplus cover	0	0	0	0	2,246	2,246	2,403	
Total	4,627	0	2,000	-2,000	2,246	2,246	2,403	

The capitalized economical benefits from the Welfare Funds of CHF 2.0 million in connection with the provision for the social plan is reported in “Company's economical benefit”. Due to the utilization of the provision for the social plan the capitalized economical benefits of CHF 2.0 million as at 31 December 2006 have been reversed in the year under review, not affecting operating result.

CHF 000	Land	Buildings	Machinery and technical equipment	Other equipment	Assets under construction	Intangible assets	Total 2007
2007 Statement of changes in tangible and intangible assets							
Acquisition value							
Balance as at 1 January	6,125	69,878	230,831	11,287	21,422	10,013	349,556
Acquisition		5	213	39	11,704	286	12,247
Disposals		-56	-2,955	-878	-901		-4,790
Transfers of assets under construction		93	2,557	-718	-3,151	1,219	0
Change in scope of consolidation			556			5,558	6,114
Currency translation adjustments	112	41	175	39	47	-302	112
Balance as at 31 December	6,237	69,961	231,377	9,769	29,121	16,774	363,239
Accumulated depreciation							
Balance as at 1 January	3	58,903	192,309	9,146	874	4,310	265,545
Regular depreciation		376	9,613	595		3,509	14,093
Extraordinary depreciation		-56	-2,854	-456	-901		-4,267
Disposals		12	151	-163			0
Change in scope of consolidation			424			90	514
Currency translation adjustments		4	32	13	27	-39	37
Balance as at 31 December	3	59,239	199,675	9,135	0	7,870	275,922
Carrying amount							
as at 1 January	6,122	10,975	38,522	2,141	20,548	5,703	84,011
as at 31 December	6,234	10,722	31,702	634	29,121	8,904	87,317
Fire insurance values							
as at 31 December		267,148	410,195	2,306			679,649

As at the balance sheet date, the economical 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 provisions	Discount	Balance sheet	Balance sheet	Earnings from ECR included in personnel expenses 2007
	31.12.2007	31.12.2007	31.12.2007	31.12.2007	31.12.2007	31.12.2006	
Welfare funds/ pension plans	281	0	0	0	281	2,241	1,960
Total	281	0	0	0	281	2,241	1,960

Pension plan contribution (CHF 000)	2007	2006
Regulatory employee contributions	2,246	2,403
Regulatory employer's contributions	2,246	2,403

The employer's contributions are included in the personnel expenses.

CHF 000	Land	Buildings	Machinery and technical equipment	Other equipment	Assets under con- struction	Intangible assets	Total 2006
2006 Statement of changes in tangible and intangible assets							
Acquisition value							
Balance as at 1 January	2,484	68,564	222,459	10,720	8,151	4,165	316,543
Acquisition		79	459	160	17,588	6	18,292
Disposals			-4,118	-806		-42	-4,966
Transfers of assets under construction			6,074	23	-6,254	157	0
Change in scope of consolidation	3,515	1,192	5,750	1,142	1,869	5,525	18,993
Currency translation adjustments	126	43	207	48	68	202	694
Balance as at 31 December	6,125	69,878	230,831	11,287	21,422	10,013	349,556
Accumulated depreciation							
Balance as at 1 January	3	56,870	183,317	8,801	0	1,840	250,831
Regular depreciation		1,914	11,950	899	5	2,419	17,187
Extraordinary depreciation		70			115		185
Disposals			-4,118	-775		-35	-4,928
Change in scope of consolidation		45	1,103	207	726	57	2,138
Currency translation adjustments		4	57	14	28	29	132
Balance as at 31 December	3	58,903	192,309	9,146	874	4,310	265,545
Carrying amount							
as at 1 January	2,481	11,694	39,142	1,919	8,151	2,325	65,712
as at 31 December	6,122	10,975	38,522	2,141	20,548	5,703	84,011
Fire insurance values							
as at 31 December		264,346	358,179	2,117			624,642

23 – Interest-bearing liabilities (short-term)

Credit type (CHF 000)	31.12.2007	31.12.2006
Bank loans	8,999	8,861
Mandatory stockpile loans	3,330	3,333
Loans from employees	0	6
Liabilities to employee benefit foundations	206	261
Total interest-bearing liabilities (short-term)	12,535	12,461

The short-term interest-bearing liabilities correspond to the previous year with CHF 12.5 million. Bank debts of CHF 3.3 million relate to the short-term portion of the compulsory stockpile loan; this portion always becomes due in the following year. In the year under review the repayment of the compulsory stockpile loan totaled CHF 3.3 million. (See also Loans (long-term))

24 – Trade accounts payable Trade accounts payable to suppliers decreased by CHF 7.1 million to CHF 26.0 million compared to the prior year. The decline is primarily a result of the low accounts payable balance to the manufacturer of the extrusion press in the year under review.

25 – Other liabilities Other liabilities amount to a total of CHF 8.1 million, whereas as of the balance sheet date CHF 7.1 million in short-term liabilities (previous year CHF 6.8 million) and CHF 1.0 million in long-term liabilities (previous year CHF 2.1 million) existed and are composed, among others, as follows: variable employee bonus system CHF 3.6 million (of which CHF 1.0 million is long-term), holiday and overtime credits of CHF 2.5 million and miscellaneous liabilities of CHF 2.0 million. (See also Personnel expenses as well as Compensations and transactions with related parties)

26 – Accrued expenses and prepaid income The total accrued expenses and prepaid income of CHF 4.2 million represents a decrease of CHF 0.7 million year-on-year. This item includes accruals for invoices not yet received of CHF 0.9 million, auditing services and additional costs in connection with the annual report of CHF 0.6 million, complaints of CHF 0.6 million, accruals for annual discounts and commissions of CHF 0.5 million, an environmental study of CHF 0.5 million, remuneration for the Board of Directors of CHF 0.5 million as well as further operating accruals of CHF 0.6 million.

27 – Provisions

CHF 000	Guarantees	Restructuring	Taxes	Environment	Other	Pension liabilities	Deferred taxes	Total
Book value 1.1.2006	587	0	193	1,872	0	367	4,274	7,293
Restatement		2,000					500	2,500
Formation			65		447	393	2,591	3,496
Utilization		-802	-263	-111	-449	-266	-2	-1,893
Reversal			-25			-224		-249
Change in scope of consolidation		774	127	97	391	1,198	1,918	4,505
Currency translation adjustments		28	7		61	52	69	217
Book value 1.1.2007	587	2,000	104	1,858	450	1,520	9,350	15,869
Formation			1,293		184	443	1,010	2,930
Utilization			-79		-66	-535	-1,132	-1,812
Reversal		-2,000						-2,000
Change in scope of consolidation			1				1,326	1,327
Currency translation adjustments			1		-2	50	-8	41
Book value 31.12.2007	587	0	1,320	1,858	566	1,478	10,546	16,355

The provision schedule shows the total of short-term and long-term provisions. The provisions for deferred taxes, the pension obligation and the environment are considered to be long-term provisions. The category “Other liabilities” contains both time horizons. Overall, CHF 14.3 million is attributable to long-term and CHF 2.1 million to short-term provisions.

The restatement of the provision for the social plan led to an increase by CHF 2.0 million of the provisions as at 31. December 2006. The provision for the social plan was reversed in 2007, not affecting the operating result.

Environment contains provisions for environmental protection measures of CHF 1.9 million as in the previous year. (See also Environment)

28 – Loan (long-term)

CHF 000	31.12.2007	31.12.2006
Bank loan	6,762	0
Compulsory stockpile loan	3,340	6,667
Mortgage loans	20,000	11,016
Total loans	30,102	17,683
Average interest rate in the years ending on	4.60%	3.40%

Bank loan amounts to CHF 6.8 million (previous year nil) and corresponds to the bank loan of Avins Industrial Products Corp., Warren/NJ, which has been acquired in 2007.

The long-term part of the compulsory stockpile loan amounts to CHF 3.3 million as at the end of 2007. The agreement concerning the compulsory stockpile loan with the federal government provides for the two last repayments of CHF 3.3 million per year for the years 2008 and 2009.

In 2006, a mortgage line for CHF 20.0 million has been established. On 31 December 2007, CHF 20.0 million (previous year CHF 11.0 million) of that credit line had been drawn. The collateral for that mortgage line is the Dornach site. (See also Contingent liabilities and credit line as well as Interest-bearing liabilities (short-term))

29 – Shareholders' equity For detailed information please see the statement of changes in consolidated shareholders' equity.

OTHER EXPLANATORY NOTES

30 – Equity interests As of the balance sheet date, the following shareholders hold more than 3% of the capital in UMS Swiss Metalworks Holding Ltd, Dornach:

	2007*	2006*
Gem Small & Mid Caps Switzerland (Fund Manager: FidFund Management SA)	5.0%	5.0%
Adelphi European Small Cap Fund (Fund Manager: Adelphi Capital Ltd)		5.2%
Laxey Partners Ltd	32.9%	20.4%
3V Asset Management AG		5.7%

* The percentage figure is referred to the latest published share in the corresponding year.

As of 31 December 2007, Laxey Partners Ltd and FidFund Management SA held an interest in UMS Swiss Metalworks Holding Ltd, Dornach, exceeding the disclosure threshold.

31 – Contingent liabilities and credit line

2007

Guarantee obligations vis-à-vis third parties	CHF 000	Book value of assets used as collateral	CHF 000
Guarantee liabilities	5,641	Cash and cash equivalents	401
		Fixed assets	2,992
Total guarantee liabilities vis-à-vis third parties	5,641	Total	3,393

2006

Guarantee obligations vis-à-vis third parties	CHF 000	Book value of assets used as collateral	CHF 000
Guarantee liabilities	3,790	Cash and cash equivalents	350
		Fixed assets	3,337
Total guarantee liabilities vis-à-vis third parties	3,790	Total	3,687
Title restrictions for own liabilities	5,935	Cash and cash equivalents	5,935
Total title restrictions for own liabilities	5,935	Total	5,935

Guarantee liabilities were CHF 5.6 million as of 31 December 2007 and were thus CHF 1.9 million above the previous year's value. This increase reflects particularly a guarantee for the employee benefits foundation Reconvilier. The restrictions for own liabilities which were associated with the extrusion press and the purchase of Swissmetal Lüdenscheid GmbH, Lüdenscheid, are released as at 31 December 2007.

2007

Credit line (CHF 000)	secured	claimable maximum	claimed	Book value of assets used as collateral (CHF 000)
Factoring	47,901	22,217	18,773	Trade accounts receivable ¹
Bank loan	7,215	7,215	7,215	Assets
Warehouse facility	33,272	22,057	8,546	Stock
Compulsory stockpile loan	6,670	6,670	6,670	Stock
Mortgage loan	20,000	20,000	20,000	Fixed assets
Total	115,058	78,159	61,204	Total

2006					
Credit line (CHF 000)	secured	claimable maximum	claimed	Book value of assets used as collateral (CHF 000)	
Factoring	47,460	25,377	25,377	Trade accounts receivable ¹	
Warehouse facility	9,660	9,660	8,861	Stock	14,440
Compulsory stockpile loan	10,000	10,000	10,000	Stock	21,238
Mortgage loan	20,000	20,000	11,016	Fixed assets	48,275
Total	87,120	65,037	55,254	Total	83,953

¹ Receivables do not count as coverage, but are ceded. (See also Trade accounts receivable)

The overall credit line which could have been used based on the contracts as at 31 December 2007, amounted to CHF 78.2 million and increased by CHF 13.2 million compared to the previous year. Thereof CHF 61.2 million or 78% (previous year CHF 55.3 million respectively 85%) were used as at the end of 2007. The carrying value of the collaterals underlying these credit lines increased in the period under review from CHF 84.0 million to CHF 129.0 million by CHF 45.0 million.

The assets used as collateral as at 31 December 2007 include assets of the Avins Industrial Products Corp., Warren/NJ, the stock at the production sites at Swiss and German locations held as collateral for the warehouse facility, metal inventories at the Swiss locations as collateral for the mandatory stockpile loan and a piece of property as collateral for the mortgage.

The level of the factoring and warehouse facilities fluctuates depending on the value of the receivables and the warehouse inventories; hence, the line of maximum available credit of CHF 81.2 million amounts to CHF 44.3 million as at the end of 2007.

Utilization of the line of credit requires adherence to certain key financial covenants and includes the normal credit provisions.

32 – Financial obligations from operating leases The future obligations from operating lease agreements are as follows:

Leased assets 2007 (CHF 000)						
Maturity	2008	2009	2010	2011	2012 and later	Total
Vehicles	542	430	321	80	20	1,393
Office space	112	113	65	43	44	377
Total	654	543	386	123	64	1,770

Leased assets 2006 (CHF 000)						
Maturity	2007	2008	2009	2010	2011 and later	Total
Vehicles	480	336	207	83	25	1,131
Total	480	336	207	83	25	1,131

The total operating lease obligation increased by CHF 0.6 million. As a result of the acquisition of Avins Industrial Products Corp., Warren/NJ in 2007, office space operating lease agreements have been added to the operating leases of Swissmetal Group, which represents the most part of the increase.

33 – Hedges

2007			
CHF 000	Contract value	Valuation at the balance sheet closing rate	Positive (+)/negative (-) replacement value
Sale metal forwards	-4,625	-4,537	88
Sale foreign exchange	-2,587	-2,529	58
Total replacement value	-7,212	-7,066	146

2006			
CHF 000	Contract value	Valuation at the balance sheet closing rate	Positive (+)/negative (-) replacement value
Sale zinc	-220	-310	-90
Sale USD	-10,976	-10,753	223
Total replacement value	-11,196	-11,063	133

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

Due to the change in Swiss GAAP FER 27 an amount of CHF 0.1 million was recognized under accrued income for the unrealized profits from derivate financial instruments as of 31 December 2007.

34 – Environment

Swiss plants at Dornach and Reconvilier In 2003, Ernst & Young AG, Zurich conducted an extensive review and assessment of the Swissmetal Group's operating and retired assets and locations. The environmental risks were assessed and quantified by SIUM Engineering AG (now U-Tech Zaugg), Thun.

The Group's sites at Dornach (Canton Solothurn) and Reconvilier (Canton Berne) are considered to be contaminated. Provided the law remains the same and there are no changes of use, no material financial consequences should be expected for the Swissmetal Group. Further risks that could incur costs cannot be excluded in the future on account of, among other things, changes in legal practice. It should be noted that a change in use or plans for construction may entail remediation measures.

As planned, in 2005 the company renewed its existing groundwater examination program in close coordination with the cantonal authorities; no contamination limits have been exceeded to date. The groundwater monitoring program has also been renewed.

Parts of the environmental impact assessment for the Dornach site (new press plant) were brought forth and the necessary measures undertaken. The results of the environmental impact assessment became available during the financial year 2007. Hence, the necessary remediation measures have been started in the year 2007 and are expected to be completed in 2008. No costs involved are expected that exceed the existing provisions.

The investigation of the surroundings of the Dornach plant in close cooperation with the environmental authorities of the Canton of Solothurn and the neighboring Canton of Basel-Landschaft as part of the "P3 Project" was completed on schedule. Thus, the plots could be classified in the different zones. The consequences for the Swissmetal Group are currently being clarified. There are plans to launch a comparable project in Reconvilier, Canton Berne.

Based on its current knowledge, in 2004 the Swissmetal Group recognized provisions totaling CHF 0.5 million for environmental measures that are considered likely, according to the results of the Dornach environmental impact assessment. Furthermore, as of 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. In the business plan for the years 2007 to 2010 further CHF 2.0 million for environmental protection measures have been scheduled.

The provision of CHF 1.4 million created as a cautionary measure in 2005 to deal with inherited pollution has been carried forward.

To the best of our knowledge, there is no need to make further provision for the environment. On the one hand, provisions have been recognized for the key areas and on the other hand no claims against the Swissmetal Group are to be expected in the immediate future, as things stand today.

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 correction or Pigovian taxes (Lenkungsabgaben). Swissmetal holds a certificate of the "Energie-Agentur der Wirtschaft" (energy agency of economy) which shows that Swissmetal admits to the voluntary declaration of accession to the program of the energy agency of economy to reduce actively the emission of carbon dioxide and to optimize the energy efficiency. The corresponding agreement on objectives is audited by the Swiss Confederation.

German plant, Lüdenscheid The environmental regulations and conditions for approval – as per Bundes-Immissions-Schutz-Gesetz Abwasser (Federal Immission Control Waste Water Act), §§ 58, 60 of the Landeswassergesetz NRW (Water Act of the State of North-Rhine Westphalia) in conjunction with § 18 of the Wasserhaushaltsgesetz (Water Resources Act) – are regularly examined and their observance monitored by independent institutions (technical control board [TÜV], Institute for Materials and Environmental Analysis). The investment measures planned in this respect for 2006 have been postponed. Provisions to the value of EUR 0.1 million were reversed in 2006.

35 – Compensations and transactions with related parties For the year 2007, the members of the Board of Directors gained the following compensation:

Compensation 2007 (CHF)	Friedrich Sauerländer Chairman	Dominik Köchlin Vice chairman	Martin Hellweg⁶ Member and Delegate	Max Locher Member	Ralph Glassberg⁷ Member	Roger Bühler Member	Total Board of Directors
Compensation (cash)							
Pay (fixed)							
Chairman of BoD	100,000						100,000
Vice Chairman of the BoD		75,000					75,000
Member of the BoD			0	50,000	50,000	50,000	150,000
Chairman of the AC		15,000					15,000
Member of the AC	15,000					15,000	30,000
Executive function			415,992		76,200		492,192
Pay (variable)							
Nordstern bonus			463,600				463,600
Other bonuses ¹					222,000		222,000
Shares/Options²							
Advantage from share purchase at reduced price ³	13,600	13,600	81,600				108,800
Remuneration for additional work							
Additional services above and beyond regular duties ⁴	57,500			3,750			61,250
Total compensation (cash)	186,100	103,600	961,192	53,750	348,200	65,000	1,717,842
Compensation (non-cash)							
Bonus bank opening balance			238,502				
Bonus bank pay-out (negative value) and deduction (positive value) respectively			-143,286				-143,286
Bonus bank closing balance			95,216				
Benefits in kind ²			30,540		2,520		33,060
Pension expenses ⁵	7,863	4,650	143,513	1,866	36,571	0	194,463
Total compensation (non-cash)	7,863	4,650	30,767	1,866	39,091	0	84,237
Total compensation	193,963	108,250	991,959	55,616	387,291	65,000	1,802,079

¹ Ralph Glassberg does not participate in the Nordstern bonus program.

² Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.

⁵ Employer's share

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

⁷ In addition to compensation for his service on the Board of Directors, Ralph Glassberg receives compensation as CEO of Avins Industrial Products Corp., Warren, NJ.

In the year under review, transactions with related parties, namely the assistance function that was performed by Ally Management Group AG, Zurich, (KCHF 19), associated with Martin Hellweg, related only to the first quarter. For the year 2007, the seven members of the management received the following compensation:

Compensation 2007 (CHF)	Individual with highest compensation: CEO⁶	Other Executive Management Members	Total
Compensation (cash)			
Pay (fixed)			
Member	415,992	1,238,254	1,654,246
Pay (variable)			
Nordstern bonus	463,600	458,931	922,531
Other bonuses ¹		50,000	50,000
Shares/options²			
Advantage from share purchase at reduced price ³	81,600	122,400	204,000
Remuneration for additional work			
Additional services above and beyond regular duties		10,008	10,008
Total compensation (cash)	961,192	1,879,593	2,840,785
Compensation (non-cash)			
Bonus bank opening balance	238,502	329,107	567,609
Bonus bank pay-out (negative value) and deduction (positive value) respectively	-143,286	-160,946	-304,232
Bonus bank closing balance	95,216	168,161	263,377
Benefits in kind	30,540	119,134	149,674
Pension expenses ⁴	143,513	274,099	417,612
Total compensation (non-cash)	30,767	232,287	263,054
Total compensation	991,959	2,111,880	3,103,839
Loans/credits 2007 (CHF)			
Loans ⁵		60,750	60,750
Total loans/credits		60,750	60,750

¹ The Board of Directors may grant bonuses based on individual merit.

² There are no outstanding options.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ Employer's share

⁵ The loan was used to finance the acquisition of shares that are locked in for a certain period.

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

In the year under review, transactions with related parties, namely the assistance function that was performed by Ally Management Group AG, Zurich, (KCHF 19), associated with Martin Hellweg, related only to the first quarter.

In connection with the negotiation of employment contracts with the new members of Management, the Swissmetal Group offered the people in question the opportunity to acquire shares at their market quotation, each of them being offered a loan for this purpose. As of 31 December 2007 the Swissmetal Group had outstanding loans to related parties of CHF 0.1 million. The interest rate is 2%. (See also Consolidated balance sheet)

The members of the Board of Directors and of the management own the following number of shares:

2007	Number of shares (Votes)
Friedrich Sauerländer Chairman of the BoD	4,000
Dominik Köchlin Vice chairman	2,000
Max Locher Member	801
Ralph Glassberg Member	160,000
Roger Bühler Member*	0
Martin Hellweg CEO	63,525
Volker Suchordt EVP Own Manufactured Products and Quality, Safety & Environment	18,000
Sam V. Furrer Chief Development Officer	3,000
Martin Heuschkel SVP Design Solutions and Chief Information Officer	1,500
Laura Rossini SVP Human Resources	0
Yvonne Simonis Chief Financial Officer	4,000
Greg Himstead SVP Head of Sales and Marketing	3,000

* The major shareholder Laxey Partners is not a closely linked party in the meaning of the SWX Directive in respect of its representative on the Board of Directors. For that reason, the number of shares it holds is not included.

36 – Events occurring after the balance sheet date

The following significant events occurred after the balance sheet date: On 5 March 2008, the Group company Swissmetal – UMS Swiss Metalworks Ltd, Dornach, agreed to acquire the American company RM Precision Swiss Inc., Las Vegas/NV, USA.

RM Precision is a highly specialized manufacturer of technical precision components of copper alloys. The company is an important supplier to the North American connector business, particularly in the aircraft sector.

REPORT OF THE GROUP AUDITORS

SWISSMETAL GROUP

To the general meeting of UMS Swiss Metalworks Ltd (Swissmetal Group), Dornach

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, statement of cash flows, statement of changes in equity and notes/pages 40 to 62) of UMS Swiss Metalworks Holding Ltd (Swissmetal Group), Dornach, for the year ended 31 December 2007.

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 auditing standards promulgated by the Swiss profession, 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.

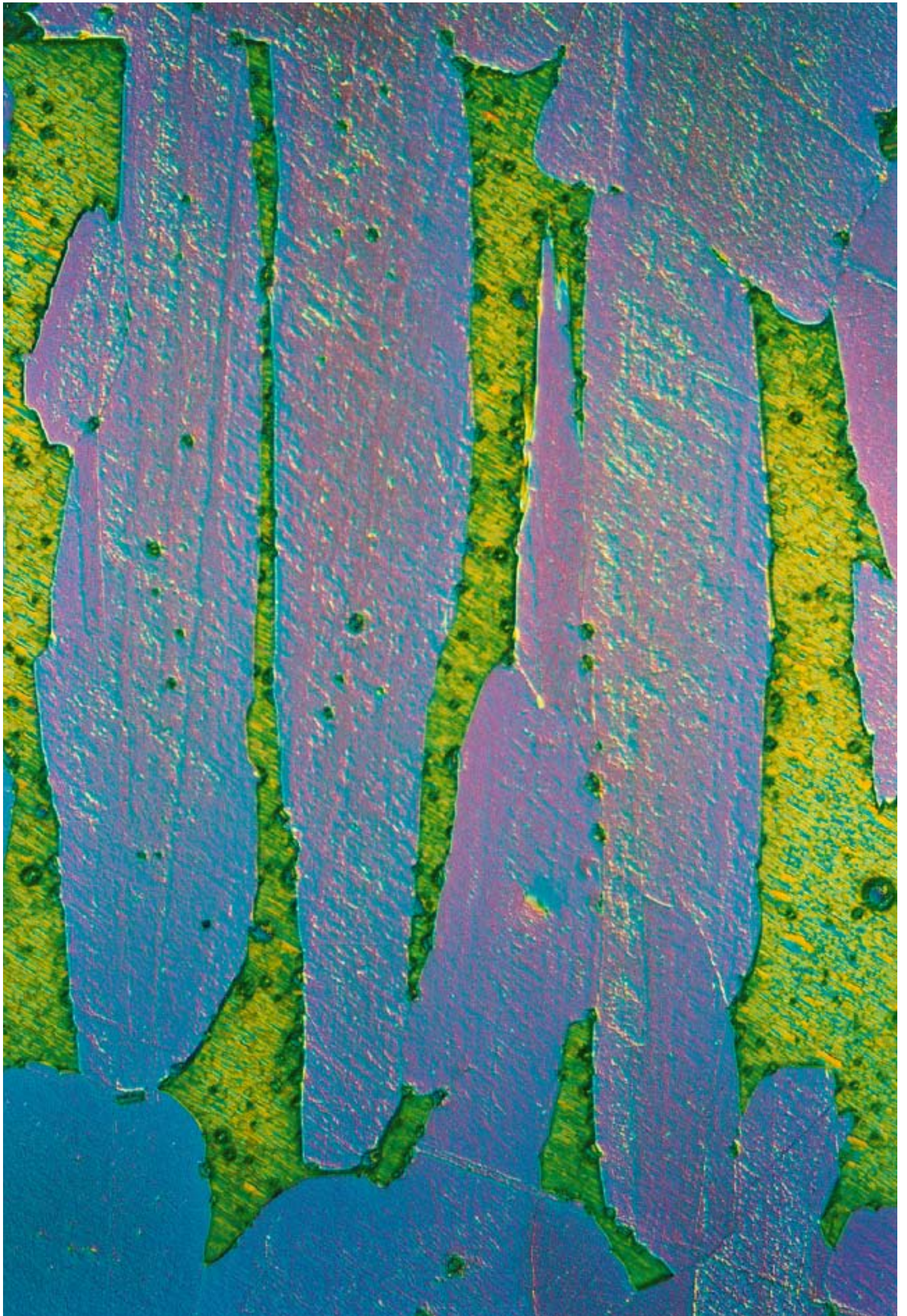
We recommend that the consolidated financial statements submitted to you be approved.

Basel, 15 April 2008

PricewaterhouseCoopers AG

Gerd Tritschler
Auditor in charge

Michael Benes



AS CAST FREE MACHINING BRASS, MAGNIFICATION 500x

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INCOME STATEMENT

UMS SWISS METALWORKS HOLDING LTD

		2007	2006
	Notes	CHF 000	CHF 000
Income from subsidiaries	01	0	295
Total operating income		0	295
Operating and administrative expenses	02	-568	-545
Other expenses from third parties	03	-6	-62
Other expenses from subsidiaries	03	-100	-100
Operating income before depreciation (EBITDA)		-674	-412
Depreciation		0	0
Operating income (EBIT)		-674	-412
Financial result	04	2,202	980
Extraordinary result	05	759	55
Earnings before taxes (EBT)		2,287	623
Taxes	06	-28	-27
Result for the year (EAT)		2,259	596

EBITDA: Earnings before interest, taxes, depreciation and amortization

EBIT: Earnings before interest and taxes

EBT: Earnings before taxes

EAT: Earnings after taxes

BALANCE SHEET

UMS SWISS METALWORKS HOLDING LTD

ASSETS	Notes	31.12.2007		31.12.2006	
		CHF 000	%	CHF 000	%
Current assets					
Cash and cash equivalents		26	0.1	2,326	2.0
Securities	07	3,976	3.3	541	0.5
Other receivables	08	3,417	2.8	2,599	2.2
Trade accounts receivable from subsidiaries	09	11,433	9.5	10,138	8.8
Total current assets		18,852	15.7	15,604	13.5
Fixed assets					
Investment in subsidiaries	10	101,286	84.3	100,106	86.5
Total fixed assets		101,286	84.3	100,106	86.5
TOTAL ASSETS		120,138	100.0	115,710	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
	Notes	CHF 000	%	CHF 000	%
Short-term liabilities					
Trade accounts payable		3	0.0	89	0.1
Other liabilities		11	0.0	0	0.0
Accrued expenses and prepaid income	11	472	0.4	382	0.5
Provisions for taxes		39	0.0	14	0.0
Other provisions	12	587	0.5	587	0.5
Total short-term liabilities		1,112	0.9	1,072	1.1
Total liabilities		1,112	0.9	1,072	1.1
Shareholders' equity					
Share capital	13	59,617	49.6	58,910	50.9
General statutory reserves		43,752	36.5	42,330	36.6
Reserve for own shares	14	4,612	3.8	4,299	3.7
Available earnings		11,045	9.2	9,099	7.7
· Retained earnings		8,786	7.3	8,503	7.3
· Result for the year (EAT)		2,259	1.9	596	0.4
Total shareholders' equity		119,026	99.1	114,638	98.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		120,138	100.0	115,710	100.0

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

UMS SWISS METALWORKS HOLDING LTD

CHF 000	Share capital	General statutory reserves	Reserves for own shares	Available earnings	Total shareholders' equity
Balance as at 1 January 2006	58,910	42,330	2,300	10,502	114,042
Allocation to reserve for own shares			1,999	-1,999	0
Result for the year – 2006				596	596
Balance as at 1 January 2007	58,910	42,330	4,299	9,099	114,638
Capital increase 1	360	720			1,080
Capital increase 2	347	702			1,049
Allocation to reserve for own shares			313	-313	0
Result for the year – 2007				2,259	2,259
Balance as at 31 December 2007	59,617	43,752	4,612	11,045	119,026

Own shares	Number	Average price (CHF) ¹
Balance as at 1 January 2007	20,000	115.00
Purchase	114,000	17.54
Sale by purchasing Avins Industrial Products Corp., Warren/NJ	-120,000	27.00
Sale to employee	-3,000	27.00
Purchase	134,000	24.98
Balance as at 31 December 2007	145,000	31.81

¹ as part of the reserve for own shares

On 1 July 1996, 20,000 shares of UMS Swiss Metalworks Holding Ltd, Dornach, were purchased at a price of CHF 115.00 per share. A special reserve for own shares totalling CHF 2.3 million was set up in accordance with statutory provisions and charged against available earnings from 1995. At the end of the year 2007 the company held 145'000 shares which are recognized at the year-end price of CHF 27.40 per share (2006: 20,000 shares at a price of CHF 26.90 per share). The change in value was recognized in the income statement. (See also Financial result)

UMS Swiss Metalworks Holding Ltd, Dornach, increased the amount of own shares in January 2007 to partially finance the acquisition of Avins Industrial Products Corp., Warren/NJ, with own shares. In January 2007, after this acquisition which required altogether 120,000 shares as part of the purchase price, the amount of own shares decreased. UMS Swiss Metalworks Holding Ltd, Dornach sold further 3,000 shares in connection with share-based payments to the employees. In the further course of the year under review UMS Swiss Metalworks Holding Ltd, Dornach, increased the amount of own shares again. The company purchased own shares for other potential takeovers as well as for the employee share participation program.

In accordance to the legal requirements the reserve for own shares has been increased by CHF 0.3 million. This amount corresponds to the costs of the own shares.

The General Meeting held on 16 May 2007 approved the creation of conditional capital. The share capital will be increased by an amount not exceeding CHF 22.5 million by issuing not more than 2,500,000 bearer shares, each with a par value of CHF 9.00.

The General Meeting held on 30 June 2006 approved the creation of authorized capital and consequently authorized the Board of Directors to increase the company's share capital at any time up to 30 June 2008 in the maximum amount of CHF 23,563,998 by issuing at most 2,618,222 bearer shares, each with a par value of CHF 9.00, to be paid in full.

In the financial year 2007 the share capital increased in two phases: On 10 January and 21 May 2007, UMS Swiss Metalworks Holding Ltd, Dornach, increased the stock of shares on issue by 40,000 respectively 38,550 shares, each with a par value of CHF 9.00, from 6,545,556 shares to 6,624,106 shares, by paying a part of the authorized capital approved at the 2006 General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

UMS SWISS METALWORKS HOLDING LTD

NOTES TO THE INCOME STATEMENT

1 – Income from subsidiaries In 2007, the company has not incurred any income from subsidiaries. As in the previous year, Swissmetal – UMS Swiss Metalworks Ltd, Dornach, did not distribute a dividend. In 2006, Swissmetal Italia s.r.l., Milan, distributed a final dividend of CHF 0.3 million, as the company was shut down as planned in the prior year.

2 – Operating and administrative expenses The operating and administrative expenses of CHF 0.6 million comprise Directors' compensation, including expenses, of CHF 0.5 million as well as auditing and consultation expenses of CHF 0.1 million.

3 – Other expenses Other expenses cover the proportional administrative contributions within the Swissmetal Group (Group companies). In the year 2006, additional expenditures occurred in connection with the strike.

4 – Financial result

CHF 000	31.12.2007	31.12.2006
Financial income	2,202	980
Financial expenses	0	0
Financial result	2,202	980

Net financial result amounts to CHF 2.2 million (2006: CHF 1.0 million) and includes interest income of CHF 0.7 million on an open account receivable granted by the company to Swissmetal – UMS Swiss Metalworks Ltd, Dornach, and to Avins International Ltd, Dornach. Moreover, gains on treasury stocks contributed CHF 1.5 million to financial income.

5 – Extraordinary result The extraordinary profit contains CHF 0.8 million of released value adjustment allowance for other receivables. (See also Other receivables)

6 – Taxes Taxes consist of taxes on capital.

NOTES TO THE BALANCE SHEET

7 – Securities Securities amount to CHF 4.0 million and consist primarily of the 145,000 own shares, the amount increased by 125,000 own shares during the year under review. Compared to the previous year, the increase reflects primarily the increase in the amount of own shares.

8 – Other receivables As part of the refinancing in 2004, UMS Swiss Metalworks Holding Ltd acquired these receivables from banks when it paid the current guarantees made to these banks in connection with the insolvency proceedings of Swissmetal Busch-Jaeger GmbH, Lüdenscheid. The receivables, originally valued at CHF 3.8 million, were adjusted and discounted by 30%. Therefore, as of 31 December 2006, CHF 2.6 million in other receivables were outstanding. Due to the latest information from the liquidator, management decided to decrease the value adjustment to 10% in the financial year 2007, accordingly CHF 0.8 million respectively 20% were reversed and the receivables amount was revalued at 90%.

9 – Trade accounts receivable from subsidiaries As of 31 December 2007, a total of CHF 11.4 million in receivables from Swissmetal – UMS Swiss Metalworks Ltd, Dornach, and Avins International Ltd, Dornach, was outstanding. This represents an increase of CHF 1.3 million on the previous year's amount.

10 – Investment in subsidiaries

Country and company 2007	Currency	Share capital	Purpose	Equity investment direct in %	Equity investment indirect in %
Switzerland					
Swissmetal – UMS Swiss Metalworks Ltd, Dornach	CHF 000	50,000	Production facility	100	
Avins International Ltd, Dornach	CHF 000	500	Trading company	100	
Swissmetal Design Solutions Ltd, Dornach	CHF 000	100	Development company	100	
Avins Switzerland Ltd, Dornach	CHF 000	100	Trading company		100
Germany					
Avins Germany GmbH, Lüdenscheid	EUR 000	260	Trading company		100
Swissmetal Lüdenscheid GmbH, Lüdenscheid	EUR 000	1,525	Production facility		100
USA					
Avins Industrial Products Corp., Warren/NJ	EUR 000	100	Trading company		100
Country and company 2006					
Switzerland					
Swissmetal – UMS Swiss Metalworks Ltd, Dornach	CHF 000	50,000	Production facility	100	
Avins International Ltd, Dornach	CHF 000	100	Trading company	100	
Germany					
Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen	EUR 000	260	Trading company		100
Swissmetal Lüdenscheid GmbH, Lüdenscheid	EUR 000	1,525	Production facility		100

The changes in investments (at carrying values) over the last two years developed as follows:

CHF 000	SMCH	SMTI	SMDS	AVIN	Total
Balance as at 1 January 2006	100,007	18		0	100,025
Liquidation		-18			-18
Startup				100	100
Rounding difference	-1				-1
Balance as at 1 January 2007	100,006	0	0	100	100,106
Capital increase				1,080	1,080
Startup			100		100
Balance as at 31 December 2007	100,006	0	100	1,180	101,286

SMCH: Swissmetal – UMS Swiss Metalworks Ltd, Dornach
SMTI: Swissmetal Italia s.r.l., Milan
SMDS: Swissmetal Design Solutions Ltd, Dornach
AVIN: Avins International Ltd, Dornach

In the year 2007 several new companies were established to strengthen the legal structure for trading products and to adjust the sales organization in the main markets of Swissmetal. The company Avins Industrial Products Corp., Warren/NJ, USA, was acquired with an initial capital of USD 0.1 million. Avins Switzerland Ltd, Dornach, Switzerland, has been established with an initial capital of CHF 0.1 million. The former Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, Deutschland, was renamed as Avins Germany GmbH, Lüdenscheid, Germany.

Swissmetal Design Solutions AG, Dornach, Switzerland, was founded with the initial capital of CHF 0.1 million to better market the newly invented “SolarTiles”.

11 – Accrued expenses and prepaid income Compared to the previous year, accrued expenses increased by CHF 0.1 million to CHF 0.5 million, consisting of accruals for Directors' compensation of CHF 0.4 million as well as auditing fees of CHF 0.1 million.

12 – Other provisions The provisions take into account all recognizable and measurable risks. They remain unchanged from the previous year at CHF 0.6 million and concern an additional claim from the dissolved subsidiary in Germany.

13 – Share capital The share capital is fully paid and divided into 6,624,106 bearer shares (previous year: 6,545,556 bearer shares) with a par value of CHF 9.00 per share.

14 – Reserve for own shares The reserve for own shares rose by CHF 0.3 million compared to the previous year due to the purchase of own shares by Swissmetal – UMS Swiss Metalworks Ltd, Dornach. (See also the Statement of changes in shareholders' equity)

OTHER EXPLANATORY NOTES

15 – Contingent liabilities

CHF 000	31.12.2007	31.12.2006
Guarantee obligations vis-à-vis Group companies		
Guarantee liabilities	20,000	20,000

As of 31 December 2007, a guarantee commitment of CHF 20.0 million (previous year: CHF 20.0 million) secured a line of credit provided to Swissmetal – UMS Swiss Metalworks Ltd, Dornach.

16 – Significant shareholders The following shareholders held more than 3% of the capital of UMS Swiss Metalworks Holding Ltd, Dornach, on the balance sheet date of 31 December 2007:

	2007*	2006*
Gem Small & Mid Caps Switzerland (Fund Manager: FidFund Management SA)	5.0%	5.0%
Adelphi European Small Cap Fund (Fund Manager: Adelphi Capital Ltd)		5.2%
Laxey Partners Ltd	32.9%	20.4%
3V Asset Management AG		5.7%

* The percentage corresponds to the last reported investment in the respective year.

17 – Compensations The compensation paid is disclosed in the consolidated financial statements in the note "Compensations and transactions with related parties".

18 – Events occurring after the balance sheet date

The following significant events occurred after the balance sheet date: On 5 March 2008, the Group company Swissmetal – UMS Swiss Metalworks Ltd, Dornach, agreed to acquire the American company RM Precision Swiss Inc., Las Vegas/NV, USA.

RM Precision is a highly specialized manufacturer of technical precision components of copper alloys. The company is an important supplier to the North American connector business, particularly in the aircraft sector.

PROPOSAL OF THE BOARD OF DIRECTORS

UMS SWISS METALWORKS HOLDING LTD

In compliance with the law and the company's Articles of Association, the Board of Directors proposes to the General Meeting of Shareholders that the retained earnings be allocated as follows:

	CHF 000
Retained earnings from previous years	9,099
Allocation to own shares reserves	-313
Result for the year – 2007	2,259
Available earnings to the General Shareholders' Meeting	11,045
Proposal of the Board of Directors regarding the utilisation of available earnings	
Carry-forward to new account	11,045

Dornach, 8 April 2008

For the Board of Directors:

Chairman: Dr. J. Friedrich Sauerländer

REPORT OF THE STATUTORY AUDITORS

UMS SWISS METALWORKS HOLDING LTD

To the general meeting of UMS Swiss Metalworks Holding Ltd, Dornach

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes/pages 66 to 71) of UMS Swiss Metalworks Holding Ltd, Dornach, for the year ended 31 December 2007.

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.

Basel, 15 April 2008

PricewaterhouseCoopers AG

Gerd Tritschler

Auditor in charge

Michael Benes

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