SWISSMETAL Information

Half year 2007

14 August 2007

Dear Customers, Employees, Shareholders,
and Business Partners

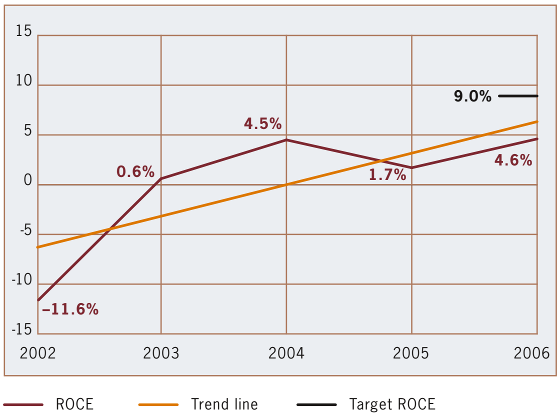
One investor was recently heard to remark that you hear very little about Swissmetal nowadays. He was probably thinking of the turbulent days of the dispute over the amalgamation of our hot forming plants in Dornach and Reconvilier into a single facility and the publicity this generated. During that period, we were in the media spotlight day-in day-out and the public were able follow developments at Swissmetal at close quarters and in real-time. Although the information provided often had an ideological slant and was deliberately distorted, this huge volume of publicity did have its advantages. An unbiased, well-intentioned observer could follow every step of our efforts to turn Swissmetal into a new and different company which we now hope can look forward to a successful long-term future. These days, we once again have to perform this task of providing information ourselves. Indeed, we are pleased to do so, for example in the form of this half year report: yes, outwardly, the situation has quietened down at Swissmetal, but within the company the situation is far from quiet. On the contrary, this year once again sees us pushing the company and our team to the limits of their capacity in an effort to make up for the time and asset value lost during past crises. There will be changes on virtually all fronts: thus, we are spinning off our Swissmetal sales team into the newly created Avins trading company (wholly owned by Swissmetal) and in future, we shall be selling both our own and third-party products from there. We shall be introducing SAP at the Lüdenscheid plant we acquired last year and shall also take this opportunity to take a further step forwards with this business software at our Swiss sites. One "megaproject" is the forthcoming start of regular production using our new extrusion press. Preparations for the conversion of the foundry in Dornach are under way. In Reconvilier everything is being prepared to move the two hall complexes into a single structure, the aim being to significantly improve the flow of materials and hence our logistics. Having made various attempts to buy an additional Asian site over the past two years, we are now finalizing plans for a go-it-alone project on a green field site, probably starting in the ball-point pen tips segment. The implementation phase there can begin before the end of this year. A new product innovation, which we hope will prove to be a trailblazing development, is currently undergoing practical testing (still confidential at this stage) and we hope to be able to report on this before the end of the year. We are introducing IFRS in our financial department with the aim of being able to prepare our 2007 annual report on the basis of this international standard for the first time. The controlling and contribution margin system is steadily being improved. A system for staff development and succession planning is being introduced Group-wide. The first stage of our broad-based employee share ownership programme was implemented in the first half of 2007 with the aim of strengthening employees' focus on performance and their identification with the company, including at the middle and lower management levels. We are examining possible acquisition candidates, but are deliberately being quite choosy as any wrong move in this area could cost us dearly. We are also constantly endeavouring to press ahead with the industrial consolidation process.

I could add a good many more points to this list. As stated above, the situation at Swissmetal is far from quiet. Our management team is ambitious and has definite plans for our future. We are in the process

of turning Swissmetal into a jewel of the non-ferrous metals sector and feel fortified by our successes over the past three years, as well as by the fact that we have achieved the targets we set ourselves and have coped with some extraordinary challenges which stood in our way.

All of these initiatives for change tie up and consume resources. We are not merely streamlining our operations on a short-term basis but are reinvesting much of our earnings in these and other optimization measures. We are investing in our future on a large scale. The introduction of SAP and IFRS alone involves expenditures running into millions. Against this background, we feel proud to be able to report a result on a par with the previous year. We have now been in the black for 7 half-year periods and are therefore posting positive EAT – not bad for a company that was peering into the abyss in 2002 – 2003. We succeeded in bringing the return on capital back from negative territory into a bandwidth of 0 – 5%, depending on the economic situation. Our company operates in highly cyclical markets, and such fluctuations are therefore normal.

ROCE (Return on Capital Employed)* 2002 – 2006



* The ROCE (Return on Capital Employed) is calculated as NOPAT (Net Operating Profit After Taxes) divided by the average capital employed (which is defined as Total Assets less Accounts Payable).

However, we are not satisfied with this bandwidth. Our target return on capital is 9%. We have to be able to reach this figure as an average over the course of various economic cycles, so that Swissmetal can earn an adequate return on the capital it deploys. We have therefore taken the necessary steps and made the appropriate investments, and we are satisfied with what has been achieved to date. A few years ago, people would not have believed that Swissmetal could have achieved this turnaround but we now have a clear view into the future.

We wish to shape this outlook jointly with our social partners. And we are very pleased that we have now succeeded in concluding a redundancy package for the period from 1 March 2007 until 30 June 2009 for the Swiss sites. This means that the restructuring of Swissmetal, which involves an extensive programme of investment in new plant and machinery, but also requires significantly smaller numbers of staff because of the efficiencies gained through this investment, can go ahead on a socially acceptable basis. One of the clear aims of Swissmetal's Board of Directors and management was and still is to ensure that the staff cuts associated with the industrial restructuring process proceed without leading to undue social hardship. The facts of the present situation give the lie to the attempts to portray us as a company with scant regard for the social dimension. Everything that we are now doing is nothing other than precisely what we already wished to discuss with our union partners back in November 2005, naturally including a redundancy package. If at the time both sides had felt able to enter into a process of dialogue among social partners instead of going on the warpath, we could probably have saved ourselves 1½ years of unfruitful confrontation. The question of why Swissmetal and its key figures were not perceived in this light is now an academic one. The phenomenon is well known among media experts: if something is simply repeated long enough, the public will soon start to perceive it as true. Self-serving opponents of our company exploited this mechanism in those dark days of blind agitation against Swissmetal – at a time when we were fighting for our very survival and had absolutely no choice but to take the measures proposed. We hope that those days are now over. The customary sabre rattling is all part and parcel of the dialogue between the two sides of industry. We have no problem with this, either now or in the future. However, to plunge a company into a crisis which threatens its survival because you disagree with its strategy is irresponsible.

We now hope that at Swissmetal too the unions will be able open a new chapter of cooperation. If the past few months of dialogue represent a lasting change of behaviour, we are entitled to be hopeful. There were some tough negotiations over the redundancy package which has now been concluded, involving some intensive give and take, but that is just as it should be.

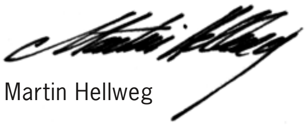
Does this mean that everything has been sorted out on this score? From Swissmetal's perspective, one might be tempted to see it that way. But has Switzerland, have the unions, have the politicians and the industry federations learned anything from this lesson which still has momentous consequences? In our view, what happened at Swissmetal should not be allowed to repeat itself anywhere in Switzerland. We hope that we made a key contribution toward ensuring that it is not by refusing to yield to the pressure of a trade union which had taken leave of its senses and by standing by the task and duty incumbent on any Board of Directors and management, namely that of doing everything necessary to assure their company's future.

We published our Memorandum* on the conflict in Reconvilier as the basis for reviewing and coming to terms with this dispute. Whether such a discourse emerges will depend on the ability of those involved in the conflict to accept criticism and have the courage to engage in critical analysis. The initial response has so far not been particularly impressive. There has been talk of Swissmetal "lashing out in all directions", as though we were to blame for the fact that virtually no-one has emerged from this dispute with any great kudos. And that includes ourselves. However, it would never have come to this dispute if the unions, and in particular Unia, had accepted our offer of talks back in November 2005, instead of rallying the troops for battle. Be this as it may, we hope that there will not be any repetition of such conduct.

To avoid such a repetition, though, there will need to be an open discussion of this conflict which was a historic milestone for Switzerland. We need to ask whether all parties have already done enough to ensure that nothing like this happens again? Certainly, the "Swissmetal experience" has changed Unia and will enable it, we hope, to become a more reliable partner again. For our part, we have a distinct sense of this and are getting clear signals that henceforth all parties intend to deal with each other in a greater spirit of partnership. But will this be enough? We think not. We still come across some trade union activists who prefer trading in slogans and banner-waving to sitting down as partners at the negotiating table. That said, this conflict also needs to lead to some corrections on the part of companies and employers. The lesson to be learned from this conflict is that there needs to be an exchange of positions at a much earlier stage and that clear signals need to be given both internally and externally.

We are not denying the need for both sides to engage in what may well be some tough bargaining, but the aim should always be to reach an outcome at the negotiating table and not on the street. This has made Switzerland successful for the benefit of all. So why depart from this winning strategy? Let us hope, then, that the process of reviewing and coming to terms with the dispute does after all take place in this or that form.

At the same time, as the CEO of Swissmetal I hope that 2007 will see us successfully complete another year of restructuring without having to face any major additional challenges. The signs are good. I would like to thank all of you for supporting our teams. You can rest assured that we shall continue to do our utmost.



Martin Hellweg

* The memorandum on the dispute in Reconvilier is available as a download at www.swissmetal.com.

AN OVERVIEW OF THE FIRST HALF OF 2007

A) PRELIMINARY REMARKS

The first half of 2007 was characterized by sustained positive business conditions. The market continued to experience turbulent metal prices, with copper costing USD 7,500 per tonne at the end of June 2007, which is roughly USD 1,200 more than at the end of 2006. Energy prices also rose, but this was partially offset by an energy cost surcharge passed on to customers since May.

The first-half results include Avins Industrial Products Corp., Warren/NJ, USA (Avins USA), the American trading company acquired in January 2007.

As part of the switch to International Financial Reporting Standards (IFRS), the Swissmetal Group is currently preparing for segment reporting broken down according to own products and third-party trading products. The 2007 annual financial statements will be prepared according to IFRS for the first time.

B) INCOME STATEMENT

Consolidated income statement – First half of year

CHF 000	2007*	%	2006**	%	Change in absolute terms	Change in %
Gross sales	223,803	294	157,632	230	66,171	42
· of which sales of third-party trading products	12,023	16	–	–	12,023	–
Gross margin	**76,090**	**100**	**68,517**	**100**	**7,573**	**11**
Personnel expenses	–39,911	–52	–38,459	–56	–1,452	–4
Operating and administrative expenses	–20,700	–27	–16,715	–24	–3,985	–24
Operating income before depreciation (EBITDA)	**15,479**	**20**	**13,343**	**19**	**2,136**	**16**
Scheduled depreciation	–6,789	–9	–6,898	–10	109	2
Non-scheduled depreciation	–2,206	–3	–	0	–2,206	–
Operating profit (EBIT)	**6,484**	**9**	**6,445**	**9**	**39**	**1**
Financial result	–691	–1	–1,018	–1	327	32
Non-operating and extraordinary result	–6	0	25	0	–31	–
Taxes	–2,336	–3	–2,328	–3	–8	0
After-tax earnings (EAT)	**3,451**	**5**	**3,124**	**5**	**327**	**10**
Gross added value sales of the manufacturing plants	**66,709**		**63,059**		**3,650**	**6**
Employees (number of full-time equivalents) as at 30.06	812		874		–62	–7

* The figures for Avins Industrial Products Corp., Warren/NJ, and for Swissmetal Lüdenscheid (formerly Busch-Jaeger Metallwerk GmbH), Lüdenscheid, are included.

** The figures for Swissmetal Lüdenscheid GmbH, Lüdenscheid, are included for the period from 1 February to 30 June 2006.

Total gross sales and gross margin – gross added value sales of the manufacturing plants and trading products In the first six months of 2007, the Swissmetal Group generated gross sales of CHF 223.8 million. The increase in sales by CHF 66.2 million or 42% stems from additional sales by Avins USA, which was acquired in January, an increase in business activity relating to the products made by Swissmetal and a further increase in metal prices.

At CHF 76.1 million, the gross margin for the first half of 2007 was CHF 7.6 million higher (+11%) than in the first half of 2006. Indeed, after factoring out metal sales from the Swissmetal inventory reduction programme the increase came to CHF 13.6 million (+22%). In the first half of 2006, metal sales accounted for an additional margin of CHF 6.0 million; in 2007, there were no metal sales from inventories in the first half of the year.

At CHF 66.7 million, the gross added value sales of the manufacturing plants, i.e. gross sales attributable to the manufacturing plants less metal at standard metal costs, were up by CHF 3.7 million (+6%). Gross added value sales do not include third-party trading products.

As far as sales of goods manufactured by the company itself are concerned, one particularly positive area of business which deserves to be singled out is the generators segment, especially in Asia. In Europe, there were also year-on-year increases in sales in the transport systems segment and in some precision turned parts segments.

Sales of products for connectors, ballpoint pen tips and in the architecture segment fell short of expectations.

The trading sales of Avins USA, amounting to CHF 19.0 million, are included for the first time. Of the total, CHF 12.0 million is attributable to sales of third-party trading products, such as radio antennas and CHF 7.0 million to sales of Swissmetal products. Since the first half of 2007, the company Industrial Tube Corp., based in Somerville, New Jersey/USA, has been represented by Avins at global level in the sale and distribution sectors. By contrast, antenna sales have fallen this year owning to high nickel prices and generally lower demand.

Key expense positions and operating result (EBIT) At CHF 39.9 million, personnel expenses are higher than in 2006 in absolute terms despite a lower headcount. This is explained by the fact that no salaries were paid during the previous year's month-long strike in Reconvilier and by the fact that the Lüdenscheid site has only been included in expenses since February 2006. Relative to the gross margin, personnel expenses were reduced from 56% (or indeed by as much as 62% if metal sales are taken out of the equation) to 52% compared with the same period of the previous year.

At CHF 20.7 million, operating expenses are up by a total of CHF 4.0 million on the previous year. Particularly major factors here include the substantial rise in energy prices, non-capitalized expenditure for the start-up of the new extrusion press and the introduction of SAP in Lüdenscheid.

In the first half of 2007, the Swissmetal Group generated operating income before depreciation and amortization (EBITDA) of CHF 15.5 million (previous year: CHF 13.3 million) which represents a 16% improvement over the previous year's figure.

At CHF 6.8 million, scheduled depreciations were roughly on a par with the previous year. However, there were additional unscheduled write-offs amounting to CHF 2.2 million, which were attributable to the announced cutbacks in the hot forming facilities in Switzerland and the associated accelerated write-down of residual value and the resulting need to shorten the useful life of the assets. The scheduled depreciation includes depreciations for goodwill amounting to CHF 1.0 million (incl. Avins USA) in 2007 and CHF 0.4 million in 2006.

After these effects, the Swissmetal Group generated an operating result (EBIT) of CHF 6.5 million in the first half of 2007, which enabled it to match the previous year's result of CHF 6.4 million despite various special expenses relating to the restructuring of the company.

After-tax earnings (EAT) At CHF –0.7 million, the financial result was up CHF 0.3 million on 2006; the improvement is mainly due to positive exchange rate effects which more than compensated the higher financing costs resulting from the expansion of net current assets owing to higher metal prices.

After-tax earnings (EAT) of CHF 3.5 million were posted in the first half of 2007, whereas EAT in the first half of 2006 totalled CHF 3.1 million.

C) BALANCE SHEET

Consolidated balance sheet

CHF 000	30.06.2007*	%	31.12.2006	%	Change in absolute terms	Change in %
Current assets	154,936	64	130,380	60	24,556	19
Fixed assets	87,343	36	86,255	40	1,088	1
Total assets	**242,279**	**100**	**216,635**	**100**	**25,644**	**12**
Short-term liabilities	57,947	24	57,941	27	6	0
Long-term liabilities	48,746	20	32,390	15	16,356	50
Total liabilities	**106,693**	**44**	**90,331**	**42**	**16,362**	**18**
Shareholders' equity	135,586	56	126,304	58	9,282	7
Total liabilities and shareholders' equity	**242,279**	**100**	**216,635**	**100**	**25,644**	**12**

* The figures for Avins Industrial Products Corp., Warren/NJ are included.

The consolidated balance sheet total of CHF 242.3 million as of 30 June 2007 has increased by CHF 25.6 million compared to the end of 2006.

On the asset side, the increase in business activity and the acquisition of Avins USA led both to a higher reported inventory value and to more receivables, whereas liquid funds decreased over the same period. The increase in total assets was therefore mainly reflected in current assets (CHF 24.6 million) and amounted to CHF 154.9 million as of 30 June 2007. On the same reference date, fixed assets had a reported value of CHF 87.3 million, which corresponds to an increase of CHF 1.1 million compared to end of last year.

On the liabilities side, the change in the balance sheet manifested itself on the one hand in long-term liabilities and on the other hand in equity. As a result of greater utilization of existing credit lines and the acquisition of Avins USA, the first six months of 2007 saw long-term liabilities increase by CHF 16.4 million to CHF 48.7 million, while short-term liabilities remained unchanged at CHF 57.9 million.

At the end of June 2007, equity totalled CHF 135.6 million, which represents an increase of CHF 9.3 million since 31 December 2006. In addition to the after-tax earnings of CHF 3.5 million posted to date in 2007 and the higher foreign currency differences of CHF 0.3 million, the sale of own shares contributed a total of CHF 3.3 million to the increase. The remaining CHF 2.2 million stems from two smaller capital increases this January and May (acquisition of US subsidiary and employee share plan) which increased the number of outstanding shares by 78,550, or 1.2%, to 6,624,106 shares.

On 30 June 2007, the equity ratio was 56% which is 2% less than the figure on 31 December 2006. Since the end of last year, net debt has increased from CHF 44.0 million to CHF 58.1 million at the end of June. The difference of CHF 14.1 million is due to the inclusion of Avins USA for the first time in 2007 and to the rise in financing of net current assets which have increased because of high metal prices. This figure has decreased slightly compared with the end of March 2007.

D) CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement – First half of year

CHF 000	2007*	2006**	Change in absolute terms	Change in %
Cash flow before change in net current assets	**14,050**	**8,437**	**5,613**	**67**
Change in net current assets	–23,464	3,343	–26,807	–
Operating cash flow (cash flow from operating activities)	**–9,414**	**11,780**	**–21,194**	**–**
Cash flow from investment activities	–12,067	–16,133	4,066	25
Free cash flow	**–21,481**	**–4,353**	**–17,128**	**–393**
Cash flow from financing activities	12,278	2,541	9,737	383
Effect of exchange rate on liquid funds	81	18	63	350
Change in liquid funds	–9,122	–1,794	–7,328	–408
Liquid funds as at 1 January	20,398	13,721	6,677	49
Liquid funds as at 30 June	11,276	11,927	–651	–5

* The figures for Avins Industrial Products Corp., Warren/NJ, and for Swissmetal Lüdenscheid GmbH, Lüdenscheid, are included.
** The figures for Swissmetal Lüdenscheid GmbH, Lüdenscheid, are included for the period from 1 February to 30 June 2006.

Owing to a larger volume of capital tied up in net current assets, which mainly increased because of the rise in metal prices, the first half of 2007 shows a negative operating cash flow of CHF –9.4 million.

In the context of the Swissmetal Group's programme of acquisitions and industrial restructuring measures, investments in the first half of 2007 came to a comparatively high CHF 12.1 million. This sum mainly comprises the purchase price of Avins USA amounting to CHF 7.0 million net (cash plus Swissmetal shares blocked for between one and three years) and payments for the new extrusion press in Dornach, which came to CHF 4.9 million in the first half of 2007.

Free cash flow stands at CHF –21.5 million, which is in line with expectations (in light of high metal prices and the above-mentioned restructuring phase involving high investment spending).

As of 30 June 2007, cash flow from financing activities was in positive territory at CHF 12.3 million.

E) OUTLOOK

2007 is an important transitional year for the Swissmetal Group and will see some key moves implemented which will determine the future course of developments. The main focus is on the commissioning of the new extrusion press at the Dornach site. June having already seen the first bolt pressed successfully as planned, the dominant theme in the second half of the year will be the adjustment and programming of the extrusion press to handle the bulk of planned production.

F) BASIS FOR THE CONSOLIDATED INCOME STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT AND CHANGES AFFECTING GROUP COMPANIES

These unaudited financial statements have been prepared in accordance with Swiss GAAP ARR. The principles of consolidation are the same as those used in the annual financial statements.

By contrast with the 2006 Annual Report, Avins Industrial Products Corp., Warren/NJ, USA has been included in the scope of consolidation for the first time as of 1 January 2007.

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