7 November 2007

Dear Customers, Employees, Shareholders,
and Business Partners

It gives me great pleasure to record a result, such as the one announced today, in such a demanding year of restructuring. An EBIT of CHF 12.7 million in nine months – is a record at least during the time that I have been with Swissmetal.

However this should not yet be reason for unadulterated euphoria. We are over halfway there but have not yet reached the finish line. Only because we thought that we were doing well in the past when we broke even, we should not be too overjoyed today when we record an EBIT with a return on capital the equivalent of a young person's savings book. There is still some work to be done. A number of key projects will be coming to an end over the next few months, about which I wrote to you in my previous quarterly report. At this stage I only want to mention again the ongoing commissioning of the new extrusion press in Dornach and the optimisation of the production process by amalgamating the two plants in Reconvilier. These two factors will result in the reduction of our workforce in Switzerland over the coming months. This is again a difficult and painful, yet necessary, process for us. It is my personal hope that it will be the last time for a long while that we have to discuss issues such as these. I believe that we have a number of good opportunities ahead of us so that in 2008 we will no longer be perceived as a company in the process of restructuring but rather as a company in the process of growing.

The innovative new product introduced today – the heat exchanger in the form of a roofing tile – which is part of an environmentally-friendly heat generation system, is a source of great hope for us. Let me be more specific. We are not yet far enough down the line that we can rule out any other, as it were, "show stoppers" and therefore we still remain somewhat cautious in our presentation of this innovative new product. We still have to overcome a number of technical and commercial hurdles but the fact nevertheless remains that the first installation of a prototype is currently being product-tested on the roof of a house in Stuttgart. This in itself is an important milestone. We very much hope to be able to go into mass production of this product as soon as possible in order to launch a further new product onto the market, in the same exciting solar energy sector. We can become a real growth company with projects such as these.

It surprised me a little that a speculative report about the remaining term of my position as a "Specialist Turnaround Manager" appeared on the front page of a Swiss financial newspaper. These are possibly the after-pains of an eventful time in the history of our company, which resulted in me having a relatively high profile in the media. This resulted in innumerable telephone calls that evening asking me what the article was all about. There was absolutely no substance to it. As I said at the beginning of my term of office, I will regard my job as having been done when (a) we have achieved a sustained turnaround and the company is showing continued, profitable growth and (b) a management team has been put in place, which can take over responsibility for the company. In both respects we are now in the second half of the game. I have already commented on our growth and, in terms of our management team, I can advise you that I am very proud of the management team, which is currently at the helm of the Swissmetal Group. I almost feel uneasy at times to see the self-mo-

tivation and commitment, which my colleagues show towards this company. For some time now it has been my role to coordinate matters and, even at times, to apply the brakes rather than to mobilise people.

The caravan is rolling ever faster in the same and right direction. This is a world apart from how the company found itself some three or four years ago and it is wonderful to be able to experience this turnaround. At this juncture I would like to thank my comrades-in-arms for their support – in good times and difficult times!

This same team had to address a difficult and sudden change in mood in our sector of the industry in the third quarter. Following the summer holiday period, business simply did pick up at first as it should have done, not just with Swissmetal, but throughout the whole industry. But as I now write this, the worst seems to be over again. Quite simply we were possibly witness to a short-lived economic blip and not to the beginning of a longer period of recession. Personally I belong to the optimists' camp concerning the current economic position. The US mortgage crisis has most certainly had a psychological effect – and quite possibly on our sector of customers – but I am of the opinion that today's markets are so fluid that they are able to cope with these sort of incidents much better than in the past. In this respect I remain, as already stated, an optimist, even if a little caution is certainly expedient. At Swissmetal we have been preparing ourselves for some years to be able to deal flexibly with all possible scenarios. We are not attempting to make predictions (a hopeless undertaking), but simply to take things as they come. Today's result shows that we are motoring along just fine. We are right on track!

Martin Hellweg

A) PRELIMINARY REMARKS

The first nine months of 2007 were characterized by a highly volatile and, depending on the segment, varying demand as well as the ongoing restructuring of Swissmetal.

Metal prices demonstrated high volatility as in the previous year. During the past nine months the market price for copper, the metal most commonly used at Swissmetal, oscillated largely between USD 6'000 and USD 8'000 and closed on 30 September 2007 at a high of USD 8'100.

B) CONSOLIDATED INCOME STATEMENT

Consolidated income statement – First three quarters

(in CHF 000)	2007*	%	2006**	%	Change in absolute terms	Change in %
Gross sales	315'459	276	240'545	244	74'914	31
· of which sales of third-party trade products	19'439	17	–	–	19'439	–
Gross margin	**114'268**	**100**	**98'518**	**100**	**15'750**	**16**
Personnel expenses	–57'754	–51	–55'782	–57	–1'972	–4
Operating and administrative expenses	–31'558	–28	–25'207	–26	–6'351	–25
Operating income before depreciation (EBITDA)	**24'956**	**22**	**17'529**	**18**	**7'427**	**42**
Systematic depreciation	–10'035	–9	–10'320	–10	285	3
Non-systematic depreciation	–2'191	–2	–	0	–2'191	–
Operating income (EBIT)	**12'730**	**11**	**7'209**	**7**	**5'521**	**77**
Financial result	–1'534	–1	–1'390	–1	–144	–10
Non-operating and extraordinary result	–6	0	27	0	–33	–
Taxes	–2'973	–3	–2'750	–3	–223	–8
Earnings after tax (EAT)	**8'217**	**7**	**3'096**	**3**	**5'121**	**165**
Gross added value sales of manufacturing plants	**96'226**		**89'324**		**6'902**	**8**
Employees (number of fulltime equivalents) as of 30.09.	763		886		–123	–14

* See F) Basis for the consolidated income statement, balance sheet and cash flow statement and changes in the group companies.
** The figures for Swissmetal Lüdenscheid GmbH, Lüdenscheid, refer to the period 01 February 2006 to 30 September 2006.

Gross sales and gross margin – gross added value sales of manufacturing plants and trade products

In the first three quarters of 2007 Swissmetal generated consolidated gross sales of CHF 315.5 million. The rise in sales of CHF 74.9 million or 31% can be ascribed to three complementary factors. Firstly, business activity grew overall compared to the previous year; secondly, the company Avins Industrial Products Corp., Warren/NJ, USA (Avins USA), which was acquired in January 2007, contributed to this year's results for the first time; and thirdly, metal prices in the first nine months of the year were generally at a higher level than 2006 and hence boosted turnover, although this last factor was not as crucial compared to the previous quarterly reports.

The gross margin for the first nine months of this year was CHF 114.3 million, CHF 15.8 million or 16% higher than in the corresponding period in 2006. This is due primarily to a higher percentage of premium specialty products, optimization of metal procurement and ongoing warehouse optimization. The warehouse optimization program, where the quantities in stock, which have a book value below the market price, could be reduced by more efficient operational control and hence a profit achieved in gross margin terms, boosted 2007 earnings in the first nine months to the amount of CHF 5.3 million (previous year CHF 9.3 million).

Gross added value sales of manufacturing plants, that is, the gross sales attributable to the manufacturing plants less metal at standard metal prices, recorded CHF 96.2 million and finished CHF 6.9 million or 8% higher than in the previous year.

The third quarter of the current year saw the prognoses of the first six months confirmed by and large. For sales of goods produced by Swissmetal, the generator division experienced an upswing, primarily due to the large demand for energy in Asia. Likewise, the rise in sales for transport systems and for some turned product segments (so-called décolletage) saw further third quarter growth compared to the previous year.

Performance in the architecture segment, which continues to be characterized by individual large projects, is considerably below the previous year's level due to lack of appropriate projects. Swissmetal intends to break into the more stable – and hence more affordable for medium sized construction projects – systems business.

The segments connectors and ball point pen tips lost ground compared to the previous year's figures, although the latter segment was able to keep its negative results in check compared to the third quarter of the previous year with improved productivity at the Reconvilier site.

In 2007 the trading company Avins USA contributed CHF 29.1 million to gross sales of the Swissmetal group in 2007. CHF 19.4 million sales were achieved with third party merchandise, e.g. radio antennae, and CHF 9.7 million sales with products manufactured by Swissmetal. Third party trade products recorded a positive trend in the third quarter of 2007, although the antennae division did not fully recover its former position. Furthermore, Avins USA was able to expand its market share with Swissmetal products, such as connectors made of eco-friendly alloys, in a highly competitive market.

Substantial expense items and operating income (EBIT) In the first nine months of 2007, personnel expenses amounted to CHF 57.8 million, an increase of CHF 2.0 million over the previous year. However, this is primarily due to special circumstances in the previous year, for example for a whole month no wages were paid at Reconvilier during the one month strike. In addition, personnel expenses for the Lüdenscheid site were not incorporated until February 2006 when the acquisition was completed. Moreover, wages rose in both Switzerland and Germany during 2007.

In contrast, the number of full-time equivalent positions dropped in the last 12 months by 123 full-time equivalent positions or 14% from 886 at the end of September 2006 to 763 at the end of September 2007 and clearly demonstrates the positive effects of restructuring Swissmetal to become a more profitable business.

The relation between personnel expenses and gross margin has improved from 57% in 2006 to 51% in 2007. This corresponds to an efficiency increase of 6 percentage points, which is primarily due to operational improvements. Without taking the warehouse optimization effect into consideration, this ratio improved by 10% from 63% in 2006 to 53% in 2007.

Operating expenses rose by CHF 6.4 million (25%) over the previous year, recording CHF 31.6 million, whereby this rise is due mainly to auxiliary and operating materials and energy. Higher energy costs were caused primarily by a general rise in energy prices. The higher expenditure for auxiliary and operating materials in Switzerland can be explained by the initial outlay for a number of new tools for the new extrusion press in Dornach as well as increased business activity. Moreover non-personnel costs in the maintenance and repair division rose as a result of increased outsourcing.

All these effects combined to produce operating income before depreciation and amortization (EBITDA) of CHF 25.0 million for the first nine months of 2007 which corresponds to a 42% rise over the previous year's result of CHF 17.5 million.

Systematic depreciation and amortization in the first nine months of 2007 totaled CHF 10.0 million, comparable to the previous year's figures. Non-systematic depreciation and amortization through an accelerated declining-balance method of depreciation of hot forming plants in Switzerland did not rise overall in the third quarter. Based on new findings for the remaining life cycles of individual machines (both positive and negative) non-systematic depreciation and amortization at the end of September amounted to CHF 2.2 million (previous year zero).

Operating income (EBIT) recorded CHF 12.7 million, a rise of CHF 5.5 million (77%) over the previous year.

Earnings after tax (EAT) Financial results were lower by CHF 0.1 million than in 2006, closing at CHF –1.5 million. A positive trend in exchange rates made it possible to partially compensate the higher financing costs of 2007 due to increased net working capital caused by higher metal prices.

The absolute tax burden of CHF 3.0 million has remained more or less the same despite higher earnings before tax in 2007 since the accumulated earnings of the individual subsidiaries which have varying tax rates is distributed differently to the previous year.

In the first nine months of 2007, earnings after tax (EAT) of CHF 8.2 million were recorded, a rise of CHF 5.1 million (165%) over the previous year.

C) CONSOLIDATED BALANCE SHEET

Consolidated balance sheet

(in CHF 000)	30.09.2007*	%	31.12.2006	%	Change in absolute terms	Change in %
Current assets	148'000	63	130'380	60	17'620	14
Fixed assets	87'394	37	86'255	40	1'139	1
Total assets	**235'394**	**100**	**216'635**	**100**	**18'759**	**9**
Short-term liabilities	52'874	22	57'941	27	–5'067	–9
Long-term liabilities	43'730	19	32'390	15	11'340	35
Total liabilities	**96'604**	**41**	**90'331**	**42**	**6'273**	**7**
Shareholders' equity	138'790	59	126'304	58	12'486	10
Total liabilities and shareholders' equity	**235'394**	**100**	**216'635**	**100**	**18'759**	**9**

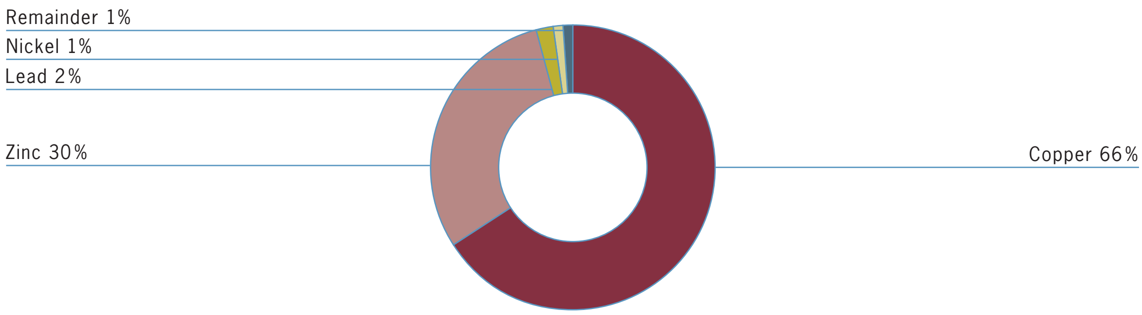
* See F) Basis for the consolidated income statement, balance sheet and cash flow statement and changes in the group companies.

On 30 September 2007 consolidated total assets comprised CHF 235.4 million, having risen by CHF 18.8 million since 31 December 2006.

On the assets side the bulk of the increase at CHF 17.6 million can be ascribed to current assets. Increased business activity and the acquisition of Avins USA brought about larger stocks but also higher trade receivables.

Fixed assets as of 30 September 2007 totaled CHF 87.4 million, a negligible change over the end of 2006. The new extrusion press in Dornach accounted for CHF 26.8 million of fixed assets at the end of September and was entered under the item assets under construction.

The metal stocks of the manufacturing companies had a current value on the closing date of CHF 112.8 million (book value CHF 79.1 million). Metal stocks as of 30 September 2007 were divided into the following elements:



On the liabilities side there was a rise in both total liabilities and shareholders' equity. Total liabilities rose from the end of December 2006 by CHF 6.3 million to CHF 96.6 million as a result of increased business activity and the acquisition of Avins USA.

At the end of September 2007 shareholders' equity totaled CHF 138.8 million, an increase of CHF 12.5 million since 31 December 2006. Apart from earnings after tax of CHF 8.2 million to date in 2007, the buying and selling of treasury shares contributed a total of CHF 2.1 million to this figure. The remaining CHF 2.2 million were created by two small increases in share capital (acquisition of the subsidiary in the USA and an employee stock option plan) in January and May of this year when the number of outstanding shares grew by 78'550 or 1.2% to 6'624'106 shares.

This gives an equity ratio of 59% as of 30 September 2007, almost identical with the figure of 58% on 31 December 2006. Net debt rose from CHF 44.0 million at the end of last year to CHF 52.7 million at the end of September. The difference of CHF 8.7 million was due to the incorporate of Avins USA in 2007 and increased net current assets due to a hike in metal prices. In the third quarter net debt dropped by CHF 5.4 million, primarily because CHF 3.3 million of compulsory stockpile loan was paid back as planned.

D) CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement – First three quarters

(in CHF 000)	2007*	2006**	Change in absolute terms	Change in %
Cash flow before change in net current assets	**21'931**	**12'460**	**9'471**	**76**
Change in net current assets	–17'907	1'402	–19'309	–
Operating Cash Flow (Cash flow from operating activities)	**4'024**	**13'862**	**–9'838**	**–71**
Cash flow from investing activities	–15'510	–18'309	2'799	15
Free Cash Flow	**–11'486**	**–4'447**	**–7'039**	**–158**
Cash flow from financing activities	6'405	690	5'715	828
Exchange rate effect on liquid funds	70	18	52	289
Change in liquid funds	–5'011	–3'739	–1'272	–34
Liquid funds as of 1 January	20'398	13'721	6'677	49
Liquid funds as of 30 September	15'387	9'982	5'405	54

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The operating cash flow for the first nine months closed positively at CHF 4.0 million (2006: CHF 13.9 million). This figure dropped by CHF 9.9 million compared to the previous year because of the decrease in net current assets in 2007. Operating cash flow was still negative as of 30 June 2007 but improved by CHF 13.4 million in the third quarter as a result of more efficient management of net current assets.

Cash flow from investing activities amounted to CHF 15.5 million in line with strategic plans. This figure includes the price paid for the company Avins USA of CHF 7.0 million net (cash plus between one and three years restricted Swissmetal stock) and expenses for the new extrusion press in Dornach which totaled CHF 7.7 million in 2007.

This resulted in a free cash flow of CHF –11.5 million (2006: CHF –4.5 million).

E) OUTLOOK

In the months after the summer break, incoming orders took a slight downturn. Whether this is a sign of the economy slowing or simply a dip in demand will reveal itself over the coming months.

In relation to Swissmetal's strategy, this year is an important transition year when important industrial restructuring projects move into their final phase, for example, start-up of the new extrusion press in Dornach, consolidation in one plant in Reconvilier with concomitant production flow optimization and in the financial sphere adjustment of financial reporting procedures to comply with IFRS international financial reporting standards.

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

The unaudited reports were compiled according to Swiss GAAP FER. The consolidation principles correspond to those of the annual report.

In contrast to the annual report for FY 2006 the company Avins Industrial Products Corp., Warren/NJ, USA, has been included in the scope of consolidation from 01 January 2007. Swissmetal Design Solutions AG, Dornach, was founded in the third quarter and hence has been included in the scope of consolidation as of 30 September.

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