

Dornach - Reconvilier - Lüdenscheid, 28 April 2006

An indicative overview of the first quarter of 2006

A) Preliminary remarks

While there were positive signs of the economy picking up in the first quarter of 2006, the illegal strike at Reconvilier also left its mark. Furthermore, Swissmetal – UMS Swiss Metalworks Ltd, Berne acquired Busch-Jaeger Metallwerk GmbH, Lüdenscheid in Germany on 10 February 2006.

The figures reported for the first quarter of 2006 thus reflect a number of very different influences.

The unaudited financial statements of the Swissmetal Group excluding Busch-Jaeger Metallwerk GmbH, Lüdenscheid – hereinafter "Swissmetal (without Busch-Jaeger)" – were prepared on the basis of Swiss GAAP ARR. The unaudited figures for Busch-Jaeger Metallwerk GmbH, Lüdenscheid, were prepared in accordance with the German Commercial Code (HGB). Because of the different accounting standards used the figures quoted are not comparable and may not be aggregated; the corresponding adjustment process is currently underway. As a result of this situation, we are unable to make the quarterly report for Q1 2006 available in its usual form. Complete consolidation of all Swissmetal Group companies including the subsidiary acquired in February will be in place for the 2006 half-year report.

B) Profit and loss account

Gross sales and gross added value sales

There has been an upturn in the market for semi-finished copper products since the start of the year. At the same time, the prices for non-ferrous metals have reached a record high. For example, whereas a tonne of raw copper still cost around USD 4,400 at the end of December 2005, at the end of March 2006 the price had gone up to USD 5,500 (LME prices, based on 3-month sales).

A mixed picture emerged for Swissmetal (without Busch-Jaeger) in the first quarter owing to the influences previously mentioned. Gross sales came to CHF 48.0 million. Gross added value sales, i.e. sales less metal at standard metal costs, at the Dornach site rose 13% year-on-year to CHF 13.9 million, while the figure at Reconvilier was 44% down at CHF 8.7 million as a result of the strike. This means that, overall, Swissmetal (without Busch-Jaeger) generated gross added value sales of CHF 22.6 million, a decline of 18% on Q1 2005. The watch and construction industry segments experienced noteworthy growth, while the strike-related decline mainly hit the stationery and connector segments.

At its Lüdenscheid site, Busch-Jaeger Metallwerk GmbH generated gross sales of CHF 25.5 million in the first three months of the year and gross added value sales of CHF 10.4 million, representing a 33% increase year-on-year. The additional sales were achieved thanks to a general rise in business volume, with the stationery sector notably reporting growth.

Earnings before interest and tax (EBIT)

Swissmetal (without Busch-Jaeger) generated earnings before interest, tax, depreciation and amortization (EBITDA) of CHF 4.9 million (Q1 2005: CHF 3.6 million). In spite of the strike, this figure was higher than last year as a result of metals being released for sale under the programme to reduce current assets. The market price of these metals was significantly above their carrying value. In addition, at CHF 15.2 million, personnel expenses were clearly lower than in the previous year (Q1 2005: CHF 18.5 million). Two factors are involved here: at the start of 2005, the number of employees had not yet been adjusted in line with the economic downturn that was just beginning, while in February 2006 the striking workers did not receive any salary payments. CHF 0.2 million was set aside in provisions as a result of the illegal strike.

EBIT came to CHF 2.0 million. (Q1 2005: CHF 0.5 million). This figure includes scheduled depreciation deductions of CHF 2.9 million. Since the need for impairment corrections or goodwill adjustments cannot be established at the current point in time, these are not included.

Busch-Jaeger Metallwerk GmbH generated EBITDA of CHF 2.9 million in the first quarter and, compared with Q1 2005 (CHF 0.8 million), significantly enhanced its performance owing to higher capacity utilization, - improvements in productivity and reorganization of its entire cost structure. EBIT came in at CHF 2.7 million (Q1 2005: CHF 0.5 million).

Earnings after tax (EAT)

After-tax earnings for Swissmetal (without Busch-Jaeger) totalled CHF 1.1 million in the first three months of the year (Q1 2005: CHF 0.5 million).

In the same period, Busch-Jaeger Metallwerk GmbH achieved an EAT figure of CHF 1.4 million (Q1 2005: CHF 0.1 million)

C) Balance sheet

As at 31 March 2006, Swissmetal (without Busch-Jaeger) had total assets of CHF 171.9 million, which represents an increase of CHF 9.1 million since the end of 2005. This is primarily attributable to the rise in fixed assets on the one hand, and the increase in liabilities and shareholders equity in the amount of the result for the period on the other.

Busch-Jaeger Metallwerk GmbH reported total assets of CHF 33.4 million at the end of March, an advance of CHF 6.6 million since the end of 2005 on account of the expansion in sales and the rise in metal prices. On the asset side inventories and receivables were up, while on the liabilities side trade payables increased as did equity by the amount of the result for the period.

D) Cash flow statement

In the first quarter of 2006, operating cash flow at Swissmetal (without Busch-Jaeger) came to CHF 3.5 million, an advance on the figure for the year-back period (CHF 2.6 million). The reduction in net current assets was the main contributing factor. The acquisition of property, plant and equipment and participations led to cash outflows of CHF 11.6 million, so that free cash flow was CHF -8.1 million. The purchase price for Busch-Jaeger Metallwerk GmbH was around CHF 9.9 million. At the date of acquisition, interest-bearing liabilities came to an additional CHF 14.8 million. Owing to the increase in bank borrowings, cash flow from financing activities rose to CHF 5.5 million.

The cash flow statement for Busch-Jaeger Metallwerk GmbH was not available at the time of going to press.

E) Outlook

Swissmetal continues to emphatically pursue its strategy, which has "operational excellence in Europe", "European consolidation" and "Asia strategy" as cornerstones. Top priority is being given to finding a solution to the conflict at Reconvilier and to the integration of Busch-Jaeger Metallwerk GmbH. The company expects economic activity to remain healthy for the rest of the financial year.