Swissmetal Information

CLOSING AS AT 31.03.2004

Dear Customer, Business Partner, Employee, Shareholder
or Financing Partner

The publication of this review of our quarterly results for the period ended 31 March 2004 marks the culmination of my first year with Swissmetal. It was on 4 June 2003 that I came on board as the company's new CEO. At that time Swissmetal was facing two key challenges requiring immediate attention: (1) the turnaround in our operations had to be implemented successfully and (2) a refinancing package for the company needed to be put together. One year on, I am happy to announce that Swissmetal has been successful in meeting both these objectives.

The enclosed quarterly results for the period ended 31 March 2004 highlight the fruits we are beginning to reap from the raft of restructuring measures put in place to secure a turnaround in our operations. Further measures are well under way, and our turnaround remains on schedule. While remaining vigilant, we are optimistic about the future course of our business in 2004. At least as far as things currently stand, there are clear signs of an economic revival in our key markets. This is reflected in a 24% rise in our order intake for the first quarter of 2004 compared with the same period in the previous year, signalling the end of the downturn in which our industry has been languishing for more than two years.

As far as the second challenge is concerned – the formulation of a refinancing package – we are today announcing the details of our proposed solution to shareholders and the public alike. If you are not already in receipt of this communication, you can obtain the relevant information in electronic format by visiting our web site at www.swissmetal.com. Alternatively, please feel free to contact us by telephone. We will then send you the relevant information.

In conclusion, I would like to draw your attention to a recent Swissmetal innovation that serves as a prime example of our company's many developments and its high level of technological expertise: our new NP6 alloy. You will find more information about NP6 enclosed. We think NP6 marks a ground-breaking innovation. It is precisely this kind of enterprising initiative that underscores Swissmetal's strengths. I strongly believe we can consign the company's difficulties to the past, particularly the current financial straitjacket that acts as such a major impediment to our development as a company. Providing we are successful, Swissmetal faces a bright future as a highly innovative, technology-driven business operating in the speciality segment of copper semi-finished products. By acting together, we can build sustained profitability and ensure a successful long-term future for our business. We at Swissmetal are ready for the task ahead. Finally, allow me to express my profound thanks for the part you have played in our success.

With best wishes

Martin Hellweg

Dornach, 7th June 2004

A) CONSOLIDATED PROFIT AND LOSS ACCOUNT

Consolidated Profit and Loss Account in the first quarter of 2004

CHF '000	2004	2003	Change in absolute terms	Change in %
Gross sales	52 881	45 740	7 141	16
Gross added value sales	**30 084**	**27 697**	**2 387**	**9**
Gross margin	**30 233**	**26 755**	**3 478**	**13**
Personnel expenses	–17 345	–17 003	–342	–2
Operating expenses	–9 667	–8 749	–918	–10
Operating profit (EBIT)	**3 221**	**1 003**	**2 218**	**221**
Financial result	–1 253	–649	–604	–93
Non-operating and extraordinary result	1 381	39	1 342	3 441
Taxes	–120	–209	89	43
Earnings before minority interests	3 229	184	3 045	1 655
Earnings after tax (EAT)	**3 228**	**182**	**3 046**	**1 674**
Sales (tonnes)	9 184	7 855	1 329	17
Gross added value sales per 100 kg (CHF)	328	353	–25	–7
Employees (number of full-time equivalents) as at 31 March	756	775	–19	–2

Gross sales and gross added value sales

Swissmetal generated gross sales of CHF 52.9 million in the first quarter of 2004. This 16% increase in relation to the preceding year is attributable to a rise in business activity as well as higher metal prices.

Gross added value sales (gross sales less metal at standard metal costs) were also higher than in the previous year at CHF 30.1 million – an increase of 9%. Markets in Switzerland, France, the US and Far East contributed to the improvement. By contrast, gross added value sales declined in Germany, Italy and the rest of Europe.
As for our five business segments, electronics and turning industry showed major increases in relation to the first three months of 2003. Electrical engineering as well as industry and construction also exhibited an improvement, with only consumer goods showing a decline.

Operating profit (EBIT)

At CHF 30.2 million, the gross margin was CHF 3.5 million higher in the first quarter of 2004 than in the same period of the previous year.
Personnel expenses were 2% higher in absolute terms at a total CHF 17.3 million. Nevertheless, personnel costs equated to only 57% of the gross margin in 2004 compared with 64% in 2003. Operating expenses also showed a 10% increase in relation to the previous year, primarily due to the volume factor, though in relation to the gross margin the figure showed little change. The group's earnings before interest and tax (EBIT) amounted to CHF 3.2 million for the initial three months of 2004 – an improvement of CHF 2.2 million compared with the prior year.

Financial result

At a negative CHF 1.3 million, the financial result was CHF 0.6 million poorer than in the first quarter of 2003. There are two principal reasons for this. Financial expenses in 2004 were CHF 0.4 million higher than in the preceding year period, primarily owing to one-off expenditure in relation to the refinancing programme. Additionally, exchangerate gains amounted to only CHF 0.2 million this year compared with CHF 0.4 million in the first three months of 2003.

Non-operating and extraordinary result

The non-operating and extraordinary result was a positive CHF 1.4 million. Two factors lie behind this: First, real-estate gains of CHF 0.8 million; second, the writing back of a provision of CHF 0.6 million that had been formed by the German trading company as of 31 December 2003 in respect of a tax demand from the revenue authorities.

Earnings after tax (EAT)

The net result was a positive CHF 3.2 million. This represents a CHF 3.0 million improvement on the previous year, and is above expectations. Total assets increased by 3% compared with the end of the previous year to CHF 149.6 million.
The rise in current assets is primarily attributable to the higher level of receivables and inventories brought about the incipient economic revival. The positive result meant that shareholders' equity rose by CHF 3.2 million in the first quarter of 2004.

B) CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet

CHF '000	31.03.2004	31.12.2003	Change in absolute terms	Change in %
Current assets	86 975	80 693	6 282	8
Fixed assets	62 600	64 176	–1 576	–2
Total assets	**149 575**	**144 869**	**4 706**	**3**
Short-term liabilities	75 169	73 697	1 472	2
Long-term liabilities	18 486	18 480	6	0
Total liabilities	93 655	92 177	1 478	2
Minority interests	89	87	2	2
Shareholders' equity	55 831	52 605	3 226	6
Total liabilities	**149 575**	**144 869**	**4 706**	**3**

Due to the higher level of resources tied up in current assets, net debt grew in the first quarter and amounted to CHF 55.4 million as at 31 March 2004 (CHF 50.6 million as at 31 December 2003). The net debt/equity ratio deteriorated slightly as a result, and stood at 99% as at 31 March 2004 (96% as at 31 December 2003).

C) CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in the first quarter of 2004

CHF '000	2004	2003	Change in absolute terms	Change in %
Cash flow from business operations	**–1 978**	**1 202**	**–3 180**	**–**
Cash flow from investment activities	–378	–1 104	726	66
Free Cash Flow	**–2 356**	**98**	**–2 454**	**–**
Cash flow from financing activities	167	139	28	20
Effect of exchange rate on liquid funds	–1	9	–10	–
Movement in liquid funds	–2 190	246	–2 436	–
Liquid funds as at 1 January	13 705	6 686	7 019	105
Liquid funds as at 31 March	11 515	6 932	4 583	66

Cash Flow

Cash flow from business operations was a negative CHF 2.0 million in the first three months. Despite the improvement in earnings after tax, the decline in relation to the previous year was CHF 2.5 million. At present, cash flow from business operations is being materially influenced by the sharp rise in working capital due to the higher level of economic activity.

Free cash flow totalled minus CHF 2.4 million as at 31 March 2004. Owing to the disposal of real estate a positive cash effect of CHF 0.9 million has been achieved thus far in 2004, thereby boosting free cash flow. That aside, the cash out due to the purchase of property, plant and equipment amounts to around CHF 1.2 million in both years.

D) OUTLOOK

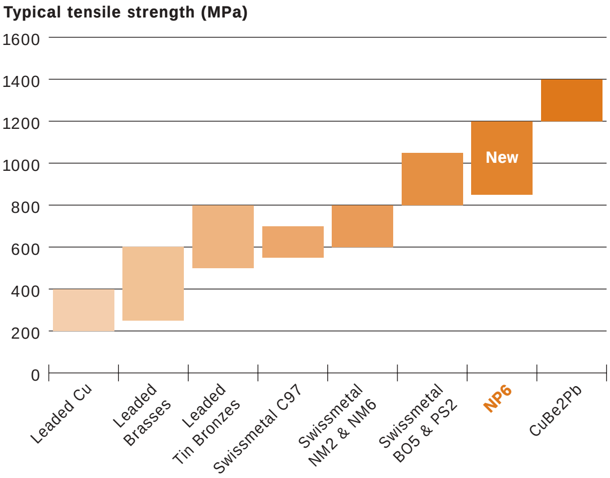
Since the year began, there has been increasing evidence of a growth scenario. This is reflected in the consolidated profit and loss account. However, the incipient economic revival also signals an increase in working capital requirements. This is exerting a negative influence on the balance sheet and cash flow. Swissmetal is continuing to forge ahead with the deployment of measures intended to secure a turnaround and render the group more profitable in the long run.

E) BASIS FOR THE CONSOLIDATED PROFIT AND LOSS ACCOUNT, BALANCE SHEET AND CASH FLOW STATEMENT AND CHANGES AFFECTING GROUP COMPANIES

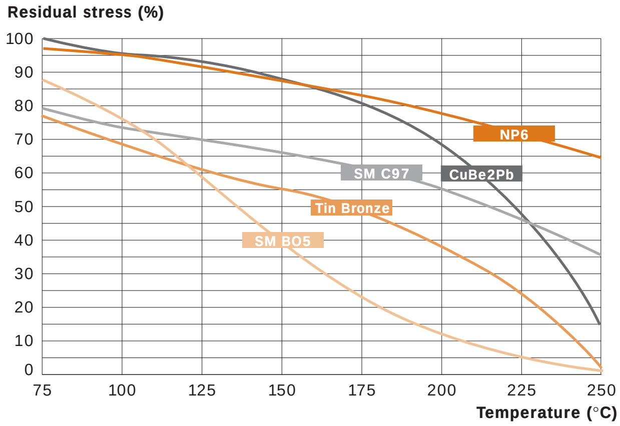
These statements were prepared in accordance with Swiss GAAP ARR. The principles of consolidation are the same as those used in the annual financial statements. The consolidated profit and loss account, balance sheet and cash flow statement do not include Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen. Both companies have been under different management since 2003 and therefore no longer come within the scope of consolidation of the Swissmetal Group.

SWISSMETAL INNOVATIONS: BREAKTHROUGH ALLOY FOR CONNECTORS

Swissmetal has developed a new high strength machinable Copper alloy for use in high performance connectors as alternative to Beryllium Copper. This worldwide novelty for which a patent has been applied is marketed under the name of NP6. As shown in the first chart, this alloy reaches mechanical properties very close from those of beryllium Cu. These properties are reached by a combination of cold deformation and aging heat treatment. The maximum tensile strength is of 1200 MPa, which is much higher than classical machinable copper alloys used for pin connectors and is sufficient to ensure the requested spring properties.



Another very interesting particularity of this alloy is its very high resistance to thermal stress relaxation. The chart beside shows that NP6, among other medium and high strength machinable Cu alloys used for connectors, has the best properties over time and temperature. This chart was established by tests at various temperatures over a time of 1000 hours and under a stress of 75% of the room temperature yield strength. This very good behaviour of NP6 opens for designers new perspective in the environment of use of their connectors.



This new material is a copper matrix alloy containing nickel and tin. A small amount of lead is added to improve the machinability. This alloy is absolutely free of beryllium which minimizes any ecological impact and allows the easy recycling of chips resulting of free machining operations.

On a chemical point of view, NP6 has a very good corrosion resistance and a very good aptitude to plating which reduces drastically the amount of scraps during the plating operation.

Finally, this material has a good machinability and allows consequently to screw machiners to increase their production speed in comparaison with beryllium copper.
All these properties bring to the user simultaneously a high performance alloy, ecologically compatible and with good perspective of cost reduction due to the good machinability and the possibility of chips recycling.

The main application of NP6 is the machined pins for high added value connectors used in aircraft industry, in telecommunications and in computers. Consequently, this product shall be distributed essentially in Europe and USA.