SWISSMETAL®

Annual Report 2004

Michele Casieri, 56 years old, with Swissmetal since May 1984, rolling mill

Contents

Cover: Full and hollow sections for power generators

Special alloys for high-performance connectors

Frédéric Ryser, 56 years old, with Swissmetal since May 1983, wire drawing

Five-year summary of key figures

Consolidated group (CHF million)	2004 3)	2003 3)	2002	2001	2000
Gross sales	204.8	170.6	229.2	300.7	327.6
Net sales	195.1	162.5	216.5	286.3	311.7
Gross added value sales (plants)*	114.0	103.5	134.7	170.0	184.4
Gross margin**	118.4	100.8	124.6	160.2	175.8
Operating earnings before depreciation (EBITDA)	20.2	12.4	2.5 1)	25.2	41.5
Operating earnings (EBIT)	8.4	1.0	–27.6 1)	9.4	25.5
Earnings after tax (EAT)	17.7	–6.9	–55.5 1)	1.5	13.7
Balance sheet total	162.1	144.9	145.8 2)	226.4	244.2
Current assets	99.1	80.7	73.8 2)	110.6	125.6
Fixed assets	63.0	64.2	72.0 2)	115.8	118.6
Short term liabilities	27.7	73.7	66.0 2)	58.3	71.2
Long term liabilities	15.9	18.5	20.3 2)	52.9	54.8
Shareholders' equity	118.3	52.6	59.4 2)	115.0	118.2
Operating cash flow	–4.6	11.2	18.1	21.9	12.9
Capital expenditure	11.2	9.4	9.0	17.2	18.8
Employees (yearly average of full-time equivalents)	807	755	1 118	1 224	1 194

* Gross added value sales: Gross sales less metal at standard metal costs
** Gross margin: Net sales less expenditure on materials and changes in stock
1) After special restructuring charges
2) Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen, have been deconsolidated.
3) Excluding Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen

Report of the Chairman of the Board of Directors and the CEO

Swissmetal is currently undergoing a phase of transformation. In the context of these changes, the last financial year was a very significant one. In 2004 we laid the foundations for a sustainable and successful future in many respects. The central pillars of this development were the refinancing and restructuring of Swissmetal – including the creation of the necessary structures and management bases using SAP business software on a companywide level – and the initial measures taken to fundamentally reposition the company with regard to its product focus and market orientation.

In spite of the transformation process embarked upon in the past financial year, we can nevertheless look back on a very successful twelve-month period in terms of our key business figures. However, these figures should be interpreted with care. The restructuring of any company will always create a certain amount of discontinuity and involve one-off impacts that can have a positive or negative effect on that company's result. We are thus reporting a number of operating and non-operating one-time effects for 2004 which have influenced our result. To gain a better understanding of the necessary background and details, please refer to the annual results 2004 in overview starting on page 12 of this Annual Report.

Refinancing

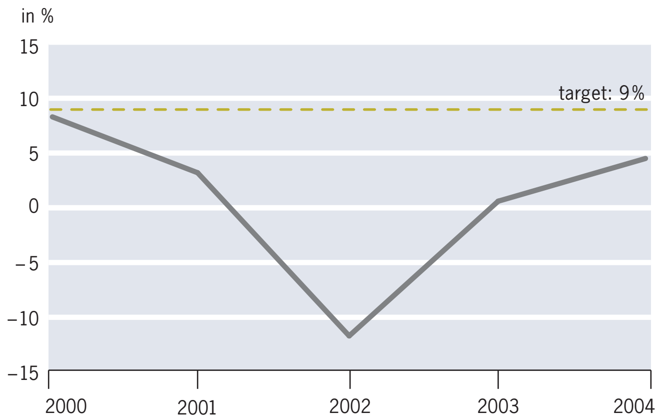
Last year Swissmetal shareholders approved a capital increase totalling CHF 51.3 million as a basis for the comprehensive refinancing of the company. The subsequent successful conclusion of this transaction allowed us to massively reduce the company's net debt. The refinancing further enabled Swissmetal to establish a base from which to realise its long-term investment plans thus securing its future and strengthening its position as a technology leader. From a financial point of view, Swissmetal has built up a solid base in the past year from which to exploit the opportunities open to it on the international markets through its leading position in various high-quality copper and copper-alloy product segments.

Restructuring

The year 2004 was particularly characterized by our operational restructuring program, aimed at improving the company's return on capital employed (ROCE). The program involved a catalogue of more than 200 individual measures through which two different objectives were pursued: an increase in operating margin and a reduction in asset volume. The first aim was successfully achieved, the second requires further efforts on our part. Our working capital is clearly still too high, partly as a result of the high metal prices and partly due to temporary inefficiencies that arose during the introduction of the SAP business software. Overall we nevertheless succeeded in edging closer to our return on capital target, as planned. The next significant leap forward will come with the repositioning of Swissmetal.

We consider an average ROCE of 9% across all sectoral cycles as an appropriate target for a business such as Swissmetal. This ROCE will be measured in terms of net operating profit after tax (NOPAT) as a percentage of capital employed.

ROCE 2000 until 2004



Another part of last year's restructuring process involved the introduction of SAP throughout the company. Notwithstanding the usual "teething troubles", the rollout of this software solution, in which we invested a great deal of effort in financial 2004, was concluded by the end of the year and had a considerable impact on our result. In the meantime we are gaining our first experience with this new tool, something which always poses a significant challenge to begin with. In the medium-term we expect to see a noticeable improvement in the flow of information and greater transparency, allowing the company to be managed in a more precise, timely and customer-oriented fashion.

Repositioning

The markets, customer requirements and competitive environment are all subject to constant change. For this reason, an optimization of Swissmetal in its current shape is not enough to generate sustainable success for our company given its current standing. To meet the upcoming challenges in our industry head on – opportunities as well as risks – the company must be capable of repositioning itself. This is another process that was set in motion in 2004.

We launched a fundamental review of our innovation pipeline with the aim of expanding our development activities in the area of high-quality speciality products – the strategic product focus that Swissmetal must adopt. Our products are distinguished by their superior precision, strength, electrical or thermal conductivity, resistance to corrosion and/or machinability. By optimizing and combining these qualities, potential new applications are constantly being created. We are vigorously looking into any such possible new uses and fully intend to make additional resources available to develop these products.

In addition, an expanded presence in the key markets of North America, Europe and Asia has led to a realignment of our sales organization. We are thus keeping pace with the internationalization of our business and are able to set new standards in relation to our proximity to the markets and closeness to customers.

The Asian regions play a particularly important role in these developments. Asia is growing in importance for Swissmetal with each passing year. This is partly because we are constantly establishing relationships with new clients locally due to demand for our high-quality products, partly because a significant number of our existing clients in Europe and North America are opening production sites in Asia. Until now we have tried, as far as possible, to satisfy our customers' requirements locally by entering into close dialogue with them. However, if we want to retain these customers in the long run while also continuing to develop our alloys, production methods and application for future markets, we need to be closer to our customers. At the end of the reporting year, we therefore initiated a project to develop the appropriate concept for us to achieve this goal. The shift toward Asia, a key market for our products, represents one of the most fundamental challenges facing us in the coming years.

As for our Swiss production base, we must make sure that our installed technology fully supports our specialties focus. As our future focus will certainly be less aimed at production volume but higher value added products, it is furthermore imperative for us to exploit potential synergies between our two production sites in Reconvilier and Dornach, which are only approximately 60 km apart, to the maximum possible degree. The recent decision to acquire a new extrusion press, which will become fully operational in 2008, is a central element in this process and will help us to achieve the operating performance we are aiming for. The extrusion press will also support the product range of both our Swiss plants and is thus a clear indication of our commitment to greater integration and closer cooperation.

It is extremely important that Swissmetal successfully repositions itself. Too many companies by far have addressed the problems of the past through restructuring without tackling the issues of today and tomorrow – all of which quickly leads to another crisis situation. This is something Swissmetal can avoid. The company has enormous potential. If we resolutely set about realizing that potential, nothing stands in the way of a bright future for Swissmetal with sustainable, profitable growth.

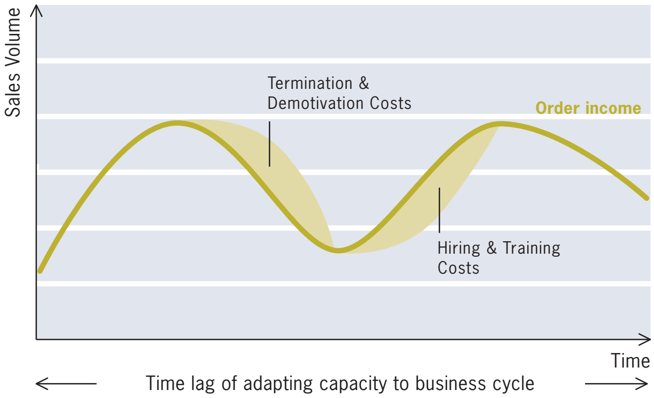
Great challenges for employees

The reshaping of Swissmetal will continue both this year and next and requires both huge commitment and a great deal of understanding from all those involved, primarily the employees. We are in the middle of a process of change that represents a great challenge to our organization in a number of ways. The different cultures at our two plants in Dornach and Reconvilier make the whole process more complex and place additional demands on managers and staff alike. The labour dispute at our Reconvilier plant in autumn 2004 showed us that each site has its own cultural characteristics and its own history, requiring a great deal of tact and patience. We shall take advantage from the lessons learned. It is our clear intent to successfully develop both sites and to advance their specific strengths without having to forego the realization of synergies that are crucial to the company as a whole. Swissmetal is one company.

Outlook

We are convinced that Swissmetal, a Swiss company with an international presence, can continue to demonstrate its strong innovative capacity and technological leadership in future. More than ever before we intend to distinguish ourselves from our competitors through our superior alloys and forms and to go on redefining the limits of what is technologically feasible – while maintaining the highest quality standards. This will make us world leaders in future too for high-quality copper and copper-alloy products for global growth markets such as the electronics, telecommunications, aviation, computer, automotive, writing instruments and watchmaking industries.

Flexibilization of working hours to reduce reaction time to business cycles and relating costs



The year now underway started with a sudden cyclical cooling-off phase. The cyclical nature of the sector is a fact of life in our business. Every cyclical change creates inefficiencies, particularly in the area of personnel, if we cannot quickly adapt to a new situation. We will thus continue to work toward more flexible working hours in order to allow a faster response to market trends. Part of our employees have already approved such an arrangement, which was worked out together with the trade unions, employee representatives and industry associations.

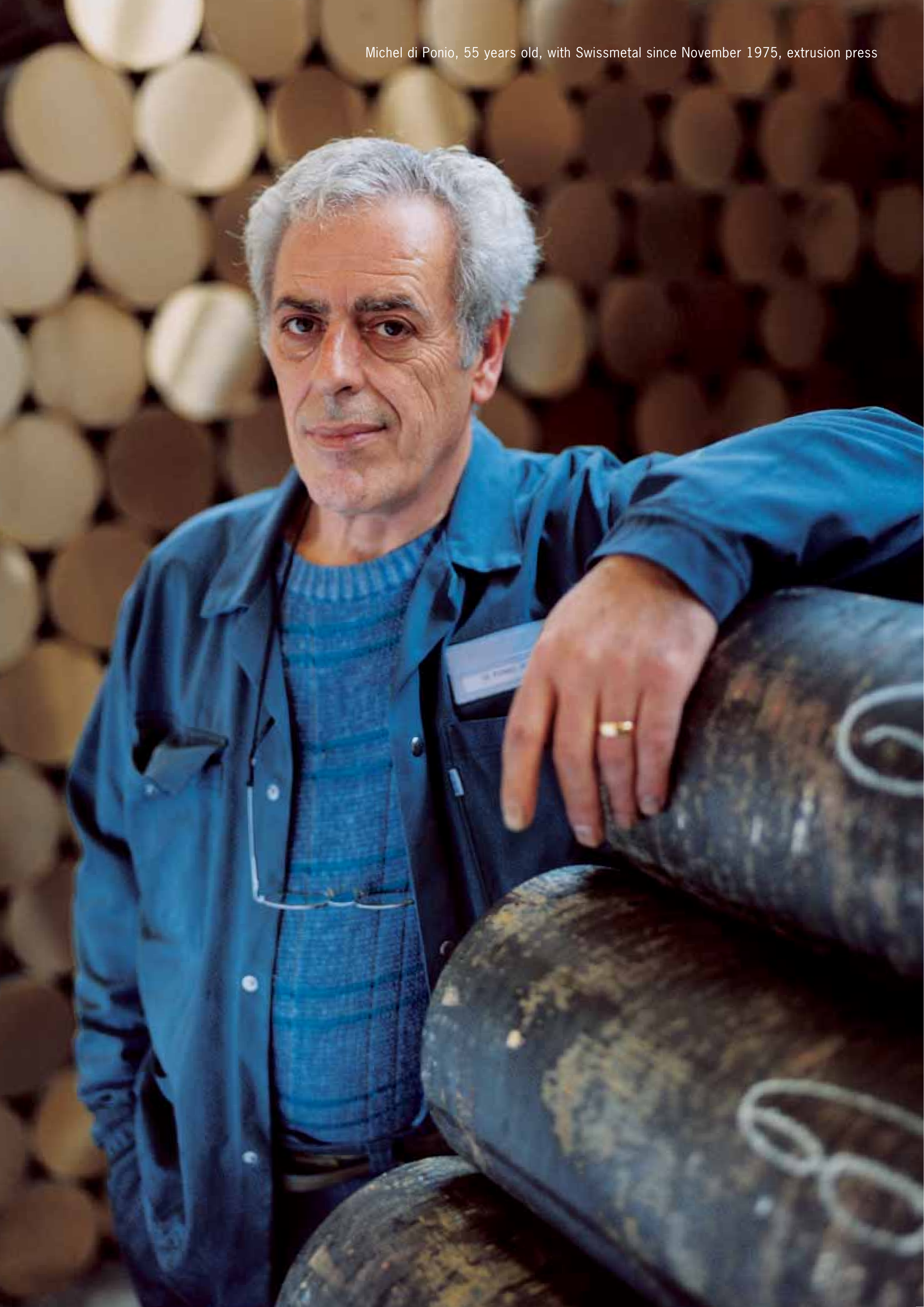
2004 is a classic period of transition – as 2005 and 2006 will no doubt also be – in which the measures that have been introduced must be carefully and consistently implemented.

We can only achieve our goals with support from all of you – our shareholders, customers, business partners, management and employees. We very much thank all those who helped Swissmetal to achieve its goals for their efforts and attention to the company in spite of the difficult environment.

François Carrard	Martin Hellweg
Chairman of the Board of Directors	Chief Executive Officer and member of the Board of Directors

Right: François Carrard, Chairman of the Board of Directors
Left: Martin Hellweg, CEO and member of the Board of Directors

Michel di Ponio, 55 years old, with Swissmetal since November 1975, extrusion press



High-performance alloy for mechanical component in the aerospace industry

Following two weak years, Swissmetal, like the industry as a whole, entered a phase of economic recovery in 2004. The refinancing of the company last summer by means of a capital increase also had a significant impact on Swissmetal's financial situation and reports.

a) Consolidated profit and loss account

Gross sales and gross added value sales

The company generated gross sales of CHF 204.8 million in 2004, and gross added value sales (gross sales minus metal at standard metal cost) [1] of CHF 114.0 million. Both figures are considerably higher than in the previous year. Since the twelve-month period under review was dominated by relatively high metal prices, the 20% rise in gross sales year-on-year outstrips the 10% increase in the gross added value sales figure, which has been adjusted for metal costs. The 20% rise in gross sales is substantially higher than the 10% increase in gross value added sales, this is due to the relatively high metal prices which prevailed in the period under review.

Sales growth was achieved in all the geographical markets, but was particularly pronounced in the USA, the Far East and France. The connector and electricity sectors reported significant advances, while mechanical engineering and writing instruments experienced a slight decline.

Earnings before interest and tax (EBIT)

Standing at CHF 118.4 million, Swissmetal's gross margin (net sales less expenditure on materials and changes in stock) exceeded the prior-year level by CHF 17.6 million or 17%. As well as operating margins, this figure includes valuation impacts of approximately CHF 4.0 million. These valuation impacts come about as a result of the company changing its stock valuation for the value added part in the year under review from a marginal-cost to a total-cost basis (CHF 3.0 million), which was made possible by the introduction of a new company software. In addition to this, the valuation of increased metals stock per se in combination with the LIFO-Principle (last in first out) and the increased metal prices contributed around CHF 1.0 million to this total.

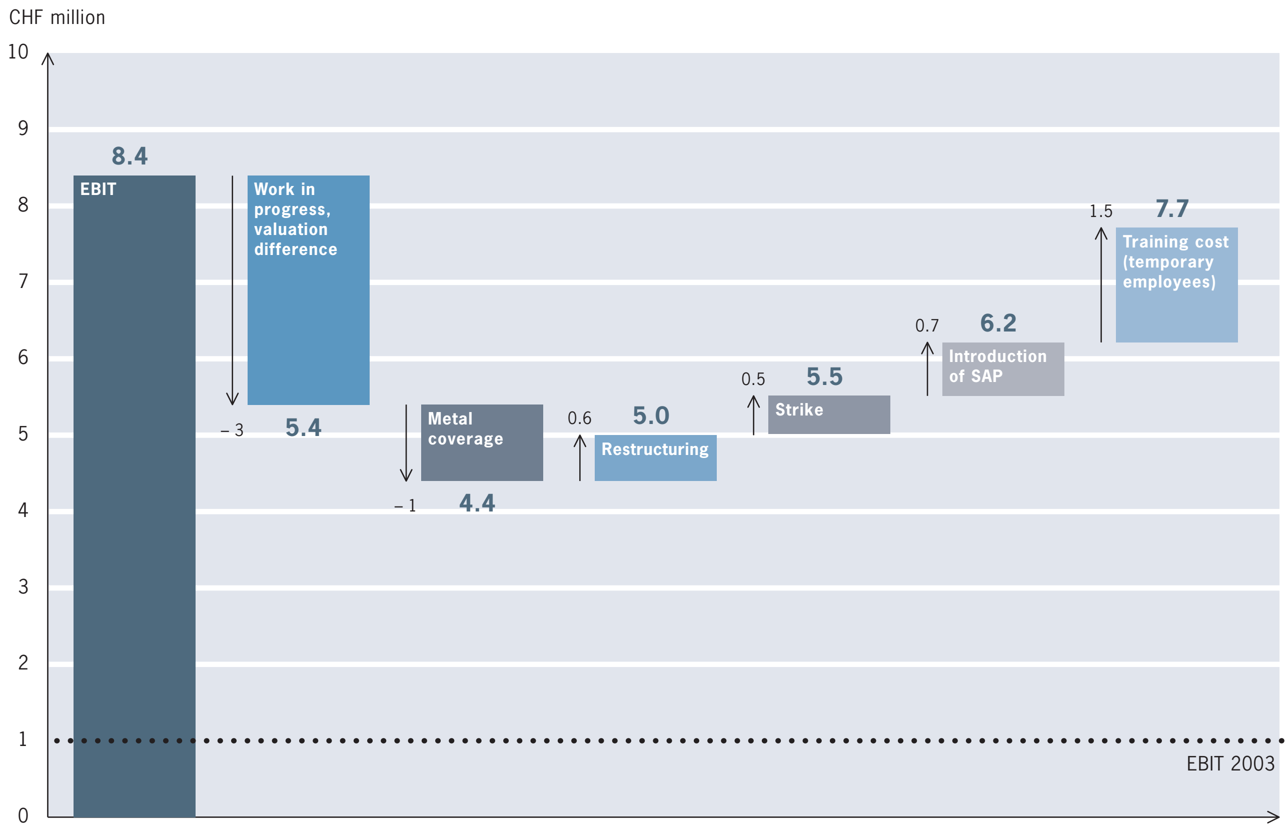
Personnel expenses rose 8% to CHF 69.6 million, primarily due to the volume factor. The average number of employees in 2004 was 807 full-time equivalents, 7% up from the previous year. Personnel expenses include hiring and training costs for about 100 new members estimated at approximately CH 1.5 million. Due to the rollout of the new corporate software, SAP, employees took less annual leave overall in 2004. This is the main reason why additional costs for accumulated holiday and overtime entitlements came to CHF 0.7 million. Nevertheless, as a result of the restructuring, the ratio of personnel expenses to gross margin was lowered to 59%, a 5% improvement over 2003.

Operating and administrative expenses (without depreciation) were up CHF 4.6 million at CHF 28.5 million over the previous year. This increase can mainly be attributed to operating supplies. It is partly volume-related. However, a certain amount of pent-up demand at both sites and higher steel prices for tools were also contributing factors. Administrative costs totalling CHF 0.6 million related to the Group's restructuring are included in operating and administrative expenses, as is the impact of a strike at one of the plants in November 2004, of which the related costs were at CHF 0.5 million EBIT at minimum.

Earnings before interest, tax, depreciation and amortization (EBITDA) came to CHF 20.2 million for the whole year, a significantly better result than in 2003 when it stood at CHF 12.4 million. Earnings before interest and tax (EBIT) amounted to CHF 8.4 million, an equally significant advance over the previous year's total of CHF 1.0 million.

The following chart shows clearly the factors influencing the earnings before interest and tax (EBIT).

[1] The definition of gross added value sales was standardized at both Swiss sites during the changeover to new corporate software in the second half of 2004. The figures are thus not fully comparable with those from the previous year, they were adjusted on the basis of estimates.



Earnings after tax (EAT)

The refinancing per se, and related events, had a significant impact on the after-tax result.

The financial result for 2004 of CHF – 3.7 million represents only a slight improvement on the 2003 figure of CHF – 3.8 million. However, the 2004 total was due to offsetting factors, which caused a clear deviation from the prior-year figures. While no significant further interest payments were required to be made in 2004 following the capital increase, and foreign currency gains were booked, the changes to the scope of consolidation had a negative effect on the result.

Refinancing expenses amounted to CHF 1.4 million, a total of CHF 0.4 million down on the previous year.

Due to a number of one-off impacts, the non-operating and extraordinary results together amounted to CHF 15.1 million, a figure that had been negative in 2003 at CHF – 1.9 million. In 2004, four main events contributed to this positive result. The purchase of claims related to earlier bank guarantees was a condition for the refinancing, allowing the annulment of provisions and generating earnings of CHF 6.6 million Swissmetal acquired CHF 3.8 million of accounts receivables (the corrected value of which is CHF 2.4 million as per 31 December 2004) in counterpart for a cash-out of CHF 5.6 million. These accounts receivables were subsequently declared to insolvency proceedings and entered in the balance sheet under other receivables. As part of the refinancing programme, the lending banks waived CHF 6.3 million in claims. Accounting profit totalling CHF 1.6 million from the sale of real estate, and the reversal of CHF 0.6 million in provisions formed by Swissmetal’s German trading company also contributed to this profit.

The Swissmetal Group posted earnings after tax (EAT) of CHF 17.7 million, a result that, taken in absolute terms, is CHF 24.6 million up on 2003. The positive deviations of CHF 17.2 million below this line were primarily attributable to non-operating, non-recurring impacts.

b) Consolidated balance sheet

The total assets of the Swissmetal Group grew throughout 2004 to close the year at CHF 162.1 million, representing an increase of 12% or CHF 17.2 million.

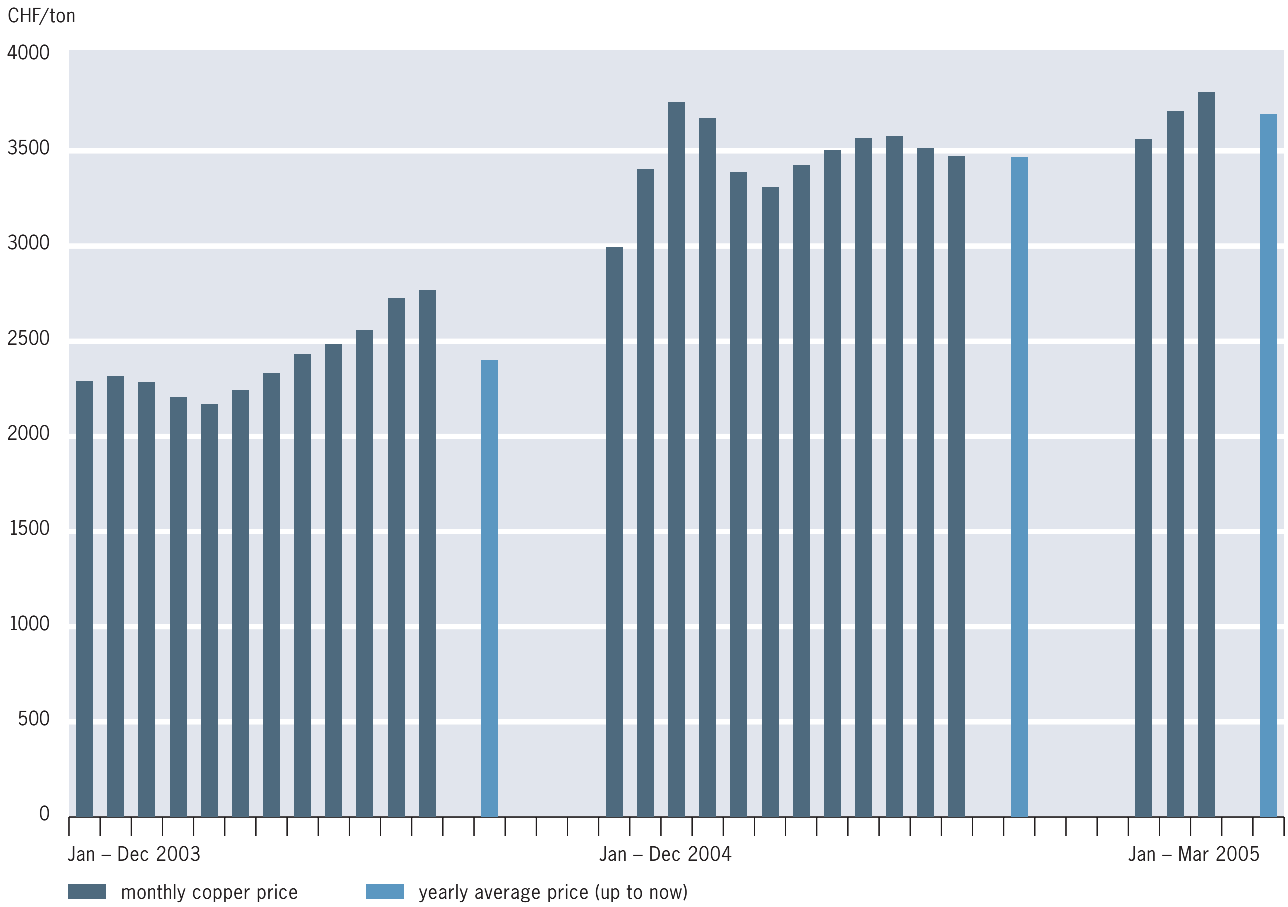
The price- and volume-related increase of CHF 17.4 million in stock to a year-end total of CHF 44.9 million was a notable feature on the assets side. The market was characterized by high metal prices in the year under review, as illustrated by the copper price chart below. On the London Metals Exchange in 2003, copper cost an average CHF 2,402 per ton. In 2004 the price had risen to CHF 3,466 per ton, an increase of 44%.

The volume increase in inventory was mainly due to the economic situation in the first half of the year. In the second half, following the introduction of new software throughout the group, stock levels were increased as a precaution to ensure our ability to deliver.

The liabilities side of the balance sheet was radically altered by the capital increase in connection with a debt-to-equity swap (the conversion of borrowed capital into equity). Short-term interest-bearing debt was almost entirely paid off. Provisions fell by CHF 14.7 million (net) in 2004 to CHF 7.6 million. A large portion was written back or released during the restructuring and refinancing programmes. The capital increase and the annual result for 2004 led to a major boost in equity by CHF 65.7 million to stand at CHF 118.3 million on 31 December 2004.

Net debt declined from CHF 50.6 million at the end of 2003 to CHF 4.4 million as at 31 December 2004, and the net debt/equity ratio fell to 4% as at year-end December 2004 (31 December 2003: 96%).

Copper Grade A, monthly LME average prices, 3 months seller



c) Consolidated cash flow statement

Cash flow from business operations

Prior to the purchase of claims related to delivered bank guarantees, operating cash flow stood at CHF 0.9 million, a deterioration of CHF 10.3 million from the previous year. The difference is mainly due to the build up of stock during the year.

The price- and volume-driven growth in inventory already mentioned under the balance sheet heading increased the company's level of committed resources in 2004 by CHF 16.5 million. In 2003, by way of contrast, a positive cash effect of CHF 6.8 million had been achieved by running down stocks. Cash outflows related to refinancing and restructuring provisions (fees for lawyers, consultants etc.) came to a further CHF 3.2 million in 2004, against CHF 4.7 million the year before.

In June 2004, a non-recurring cash outflow of CHF 5.6 million occurred in relation to the purchase of bank guarantee claims already referred to and which were a condition of the refinancing deal. The operating cash flow for the year was thus CHF – 4.6 million.

Free cash flow

Despite its difficult financial situation in the first half of 2004, Swissmetal consistently invested in the company throughout the financial year. Investments totalled CHF 11.2 million and were thus CHF 1.8 million up on the previous year. Alongside the rollout of new corporate software, which involved cash outflows of CHF 3.1 million, major investments were made in operating machinery at the two Swiss plants. At the same time, real estate worth CHF 1.6 million was sold. In 2003, the sale of property had generated CHF 4.7 million.

In spite of the relatively good result, Swissmetal generated a negative free cash flow of CHF – 14.2 million in 2004, mainly through the building up of stock levels and cash outflows related to the refinancing and restructuring programmes.

Financial cash flow

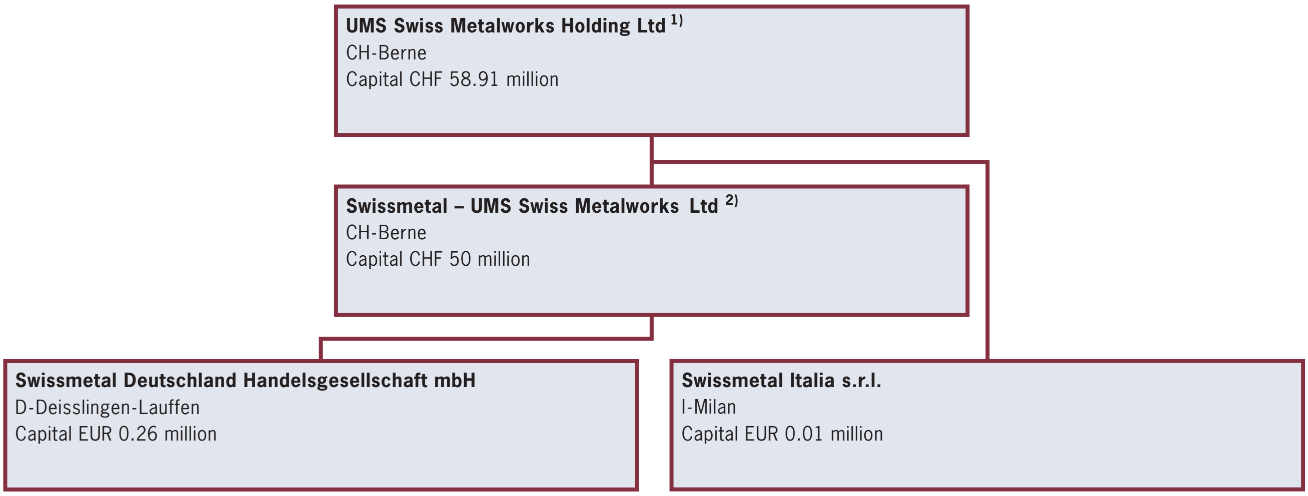
Cash flow from financing activities came to just CHF 9.8 million, because the CHF 44.9 million inflow of funds from the share capital increase was used to repay bank debts of CHF 32.7 million and for third-party loans (CHF 2.4 million, net).

The refinancing procedure guaranteed the company's ability to continue as a going concern.

World leader in semi-finished products for ball point pen tips

Joël Cuinet, 39 years old, with Swissmetal since June 1990, wire drawing

Corporate Structure of UMS Swiss Metalworks Holding Ltd



1) 100% of Swissmetal – UMS Swiss Metalworks Ltd, Berne, 80% of Swissmetal Italia s.r.l., Milan
2) 100% of Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen

Structure

UMS Swiss Metalworks Holding Ltd, Berne (hereinafter referred to as Swissmetal), is quoted on the Swiss SWX Exchange (security no. 257 226) and is subject to Swiss law. There are no additional listed companies within the scope of consolidation.

Major shareholders

The following shareholders held a greater than 5% interest in Swissmetal as at the balance sheet date, 31 December 2004: European Renaissance Fund Ltd >5%, OZ Bankers AG >5%, Julius Baer Multistock SICAV >5%. There are no cross-shareholdings between Swissmetal and other companies.

Capital structure

Capital

Swissmetal's ordinary share capital as of 31 December 2004 was CHF 58,910,004 distributed over 6,545,556 bearer shares with a par value of CHF 9.00 each.

Shares

All shares are fully paid-up. Swissmetal does not have authorised or conditional capital. On 19 July 2004, an increase of the share capital was carried out.
Each share has one vote and conveys the right to a proportion of the company's net profit and of its residual value upon liquidation. Swissmetal recognizes only one owner per share. The share is indivisible with respect to the company. There are no restrictions on transferability. By amending the Articles of Association, the General Meeting may convert bearer shares to registered shares and registered shares to bearer shares at any time. The General Meeting can create participation capital. The company currently has no participation or dividend right certificates.

Options

The volume of capital reserved for employee shares amounts to CHF 74,700 (see page 23). This corresponds to 8,300 shares at nominal CHF 9.00 each. The employee option exercise price is CHF 125.00. The term is five years and the subscription ratio is 1:1. There are no conversion conditions. At present the company has no outstanding convertible bonds or options other than employee options.

Board of Directors of UMS Swiss Metalworks Holding Ltd as per 30 June 2004					
Name (Nationality)	**Position**	**Appointed**	**End of term**	**Education**	**Managerial, audit and advisory posts/appointments and political offices**
François Carrard (CH)	Chairman	1990	2005	University of Lausannne, doctorate in law, Attomey	Chairman of the Board of Directors of Vaudoise Assurances, Beau Rivage Palace SA, Director of Cie Financière Tradition SA, ING Bank (Suisse) SA and Kamps AG (D)
Jean-Claude Vagnières (CH)	Deputy Chairman	1986	2004	University of Lausanne, graduate in economics	Chairman of Nexans Suisse SA
Thierry Delfosse (F)	Director	1997	2005	Engineer Ecole Polytechnique, MBA Harvard Business School	Chairman of Solaronics Chauffage SA (F), Chairman of Fimarne SAS (F), Delegate of the Board of XIHL SA (B), Director of ECM SA (F)
Ulrich Fünfschilling (CH)	Director	1994	2004	University of Basel, doctorate in law, IEDP Insead Fontainebleau (corporate management)	Director of Kraftwerke Mattmark AG
Rudolf Rentsch (CH)	Director	1996	2004	University of Zurich, doctorate in law	Deputy Chairman of Orell Füssli Holding AG
Laurent Gremaud (CH)	Secretary to the Board of Directors	2003	2004	University of Berne, doctorate in economics	

Board of Directors of UMS Swiss Metalworks Holding Ltd as per 1 July 2004					
Name (Nationality)	**Position**	**Appointed**	**End of term**	**Education**	**Managerial, audit and advisory posts/appointments and political offices**
François Carrard (CH)	Chairman	1990	2005	University of Lausannne, doctorate in law, Attomey	Chairman of the Board of Directors of Vaudoise Assurances, Beau Rivage Palace SA, Director of Cie Financière Tradition SA, ING Bank (Suisse) SA and Kamps AG (D)
Dominik Koechlin (CH)	Deputy Chairman	2004	2005	University of Berne, doctorate in law, MBA INSEAD Fontainebleau	Director of EGL AG, SAM AG, M2 AG and Corris AG; Member of the Foundation Board of Bank LGT (FL)
Thierry Delfosse (F)	Director	1997	2005	Engineer Ecole Polytechnique, MBA Harvard Business School	Chairman of Solaronics Chauffage SA (F) Delegate of the Board of XIHL SA (B)
Walter Häusermann (CH)	Director	2004	2005	University of Berne, graduate in phil., Master of science in finance and accounting, London School of Economics	Director of Elma Electronic AG and Nebag
Martin Hellweg (D)	Director	2004	2005	University of Bochum (D), University of Rochester NY (USA), Master of Business Administration	Chairman of the Board of Directors and Managing Partner of Ally Management Group AG
Max Locher (CH)	Director	2004	2005	Commercial training	CEO Aluminium Laufen AG
J. Friedrich Sauerländer (CH)	Director	2004	2005	University of Freiburg (D), doctorate in economics, University of St. Gallen, graduate in economics	Director of BNP Paribas (Suisse), Project Hope (USA), Chairman Fondation Project Hope Suisse, CEO Ambrosetti Family and Business Governance SA
Sam V. Furrer (CH)	Secretary to the Board of Directors	2004	2005	University of St. Gallen, graduate in economics	

Board of Directors of UMS Swiss Metalworks Ltd until 30 June 2004			
Name	**Position**	**Appointed**	**End of term**
François Carrard	Chairman	2003	2005
Jean-Claude Vagnières	Deputy Chairman	2003	2004
Thierry Delfosse	Director	2003	2005
Ulrich Fünfschilling	Director	2003	2004
Rudolf Rentsch	Director	2003	2004
Laurent Gremaud	Secretary to the Board of Directors	2003	2004

Board of Directors of UMS Swiss Metalworks Ltd as per 1 July 2004			
Name	**Position**	**Appointed**	**End of term**
François Carrard	Chairman	2003	2005
Dominik Koechlin	Deputy Chairman	2004	2005
Thierry Delfosse	Director	2003	2005
Walter Häusermann	Director	2004	2005
Martin Hellweg	Director	2004	2005
Max Locher	Director	2004	2005
J. Friedrich Sauerländer	Director	2004	2005
Sam V. Furrer	Secretary to the Board of Directors	2004	2005

From left to right:
Max Locher, Martin Hellweg, Dominik Koechlin, François Carrard, Thierry Delfosse, J. Friedrich Sauerländer, Walter Häusermann

Election and Term of Office

Members of the Board of Directors must be Swissmetal shareholders and are elected by the General Meeting. The term of office is one year and expires for all members on 9 June 2005, the date of the General Meeting for the 2004 financial year. The members of the Board of Directors may be reelected at any time.

Internal administration

The Chairman of the Board of Directors is François Carrard. The position of Deputy Chairman was occupied by Jean-Claude Vagnières until 30 June 2004. Dominik Koechlin became Deputy Chairman on 1 July 2004. Laurent Gremaud occupied the function of external secretary to the Board of Directors until the General Meeting of 2004. As of 1 July 2004, Sam V. Furrer took up this position.

The Chairman may call as many meetings as business requires. Each member of the Board of Directors may also present grounds and demand that the Chairman call a meeting immediately. A majority of 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 be adopted in writing, provided that no member demands verbal consultation. The Secretary to the Board of Directors keeps minutes of deliberations and resolutions. Resolutions made by circular are recorded in the minutes. In 2004, 13 ordinary meetings of the Board of Directors were held. In addition, ad hoc meetings, works in special committees of the board of directors and numerous phone conferences took place in the context of the refinancing and restructuring of Swissmetal.

The Audit committee is made up of Walter Häusermann (Chairman), Dominik Koechlin and J. Friedrich Sauerländer. The Audit Committee works in close contact with the external auditor.

Group Management of Swissmetal-UMS Swiss Metalworks Ltd				
Name (Nationality)	**Position with Swissmetal**	**Appointed**	**End of term**	**Education**
Martin Hellweg (D)*	Chief Executive Officer, Chief Finance Officer	June 2003 September 2003	open end March 2004	University of Bochum (D), University of Rochester NY (USA), Master of Business Administration
Laurent Gremaud (CH)*	Chief Development Officer	September 1989	June 2004	University of Berne, doctorate in economics
Yvonne Simonis (D)	Chief Finance Officer	March 2004	open end	University of Freiburg (D) and Rotterdam (NL), Magister Artium, Master of Business Administration, Master of Business Information
Sam V. Furrer (CH)	Chief Development Officer, Chief Human Resources	July 2004	open end	University of St. Gallen, graduate in economics
Martin Heuschkel (F)	Chief Information Officer, Chief Quality and Processes	December 2003	open end	Dipl. Ing. FH
Werner Riegert (CH)	Chief Procurement	February 2004	open end	Commercial training
Jean-Pierre Tardent (CH)	Chief Innovation and Business Development	July 2004	open end	EPF Lausanne, graduate in material sciences
Henri Bols (F)	Chief Industry Dornach, Since November 2004: Chief Site Dornach	September 2003	open end	Ing. Arts et Métiers, Paris (F)
André Willemin (CH)	Chief Industry Reconvilier	September 2003	November 2004	Ing. constr. mach. ETS
Albert E. Gaide (CH)	Chief Site Reconvilier	December 2004	ad interim in the company	ETH Zurich, graduate in physics, University of Geneva, doctorate in sciences
Thierry Daras (F)	Business Segment Manager Chief Sales Europe North	November 2003 July 2004	ad interim member in the Group Management	Ing. ISAB (F)
Eric Aellen (CH)	Business Segment Manager Chief Sales Europe South	November 2003 July 2004	ad interim member in the Group Management	Commercial training
Stephan Bregy (CH)	Business Segment Manager Chief Sales Asia	November 2003 July 2004	ad interim member in the Group Management	ETH Zurich, graduate in chemistry, University of Lausanne, graduate in economics
Roderick Tanzer (CH)	Chief Sales America, Middle East, Africa	July 2004	ad interim member in the Group Management	EPF Lausanne, graduate in chemistry

The following member joined the group management on 17 January 2005				
Daniel Brendel (F)	Chief Sales Officer	January 2005	open end	University of Metz (F), DEUG B Deutsch

* Member of the General Management

Areas of Responsibility and Competencies

General Management is responsible for all business related to company management which is not reserved to the Board of Directors without possibility of delegation. The General Management consults the member of the Group Management in regular meetings. The division of duty and responsibilities between the Board of Directors, the General Management and the other members of the Group Management are described in the administration and organisation rules, the areas of responsibility and the internal signature regulations.

Information and Control Instruments

General Management/Group Management generally reports to the Board of Directors as the business requires but at a minimum four times a year regarding strategic and operational developments and on a monthly basis regarding financial figures as compared to the agreed-upon budget. Once a year a Management Letter is prepared for both the Board of Directors and General Management/Group Management by the external auditors (PricewaterhouseCoopers AG, Basel), containing recommendations for improvements.

Remuneration, Shareholdings and Loans

Contents of and process for determining remuneration

The Board of Directors determines appropriate remuneration for its members. Members of the Swissmetal Board of Directors receive fees and their expenses are reimbursed. Members of Group Management receive a salary, expense accounts, a result based bonus and an individual performance based bonus. Individual Group Management members have a Stock Option Plan. Remuneration and shareholdings of Group Management members are approved by the Board of Directors.

Highest Total Remuneration

The highest total remuneration for a member of the Board of Directors in the 2004 financial year is CHF 70,000. No additional shares or options were allocated.

Remuneration

Total remuneration paid out in the 2004 financial year was:
Members of the Board of Directors: CHF 230,559 gross,
Members of Group Management: CHF 3,245,221 gross.

Share ownership

Members	Total shares held [1] as of 31.12.2004
Group Management	103 300 [2]
Board of Directors and associated parties	2 001

[1] "Total share ownership" also includes shares acquired privately.
[2] In the context of the capital increase in July 2004, Martin Hellweg, Chief Executive Officer, bought 88,000 new shares at an emission price of CHF 9.00 each (see page 46).

Options

Members of the Board of Directors, Group Management and associated parties	Options granted in 2000	in 2001	in 2002	in 2003	Total options held as of 31.12.04
Group Management	1 000	7 300	0	0	8 300
Board of Directors	0	0	0	0	0
Exercise price in CHF	125	125			
Term	5/2003 – 4/2005	8/2004 – 6/2005			

All options expire during the first half of 2005.

Shareholders' Participation Rights

Voting-right restrictions and representation

The holder of a share who presents the share or is otherwise authenticated as owner in a manner prescribed by the Board of Directors is entitled to exercise the right of voting vis-à-vis the company. A shareholder may designate another shareholder to represent his or her shares.

Statutory quora

The General Meeting adopts resolutions and carries out votes by an absolute majority of voting shares represented, unless otherwise stipulated by the provisions of Article 704 of the Swiss Code of Obligations.

Convening of General Meetings and setting the agenda

The Ordinary 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 by a notice in the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt) no later than twenty days before the date of the Meeting. The notice states the items to be discussed and proposals of the Board of Directors and of shareholders who have demanded that a General Meeting be held or an item be placed on the agenda. An extraordinary General Meeting is held if General Management deems it useful or necessary or on petition by one or more shareholders who jointly represent at least one tenth of the company's share capital.

Auditors

Duration of the appointment

PricewaterhouseCoopers AG, Basel (known as STG-Coopers & Lybrand Ltd until 1998), has held the auditor's mandate for the Swissmetal Group since 1986. Gerd Tritschler is for the first time responsible for the existing auditor's mandate as head auditor.

Fees

The total auditing fees charged by the auditors in the year under review is CHF 269,700. Fees for additional services related to the capital increase and various tax services for Swissmetal or one of its group companies in the year under review amounted to CHF 407,428.

Supervision and control

Regular discussions are held between General Management/Group Management and the head auditor.

Information policy

Swissmetal regularly provides shareholders and investors with information on business activity and the sector by means of press releases, the balance sheet, analysts' conferences, the annual report, half-yearly and quarterly reports as well as background information.

Further information is available on:
www.swissmetal.com

Enterprise Resource Planning (ERP)

Introduction of unified enterprise resource planning (ERP) system – software solution for Swissmetal Group

In autumn 2003, following careful evaluation, it was decided to introduce a new, integrated ERP software solution (SAP/R3). The project to create a newly defined, modern and efficient infrastructure was subsequently implemented – by a 70-strong team consisting of internal key users and staff from both the Swissmetal IT department and the SAP system provider – in the areas of purchasing, production, sales, maintenance, logistics, quality management, finance and human resources. Switching over from the existing variety of data, applications and processes to the new solution presented the organization with a challenge – one which used up more internal resources than expected, but which was successfully mastered.

Integrated and continuous IT support is now available at all the Swissmetal Group's sites. As well as generating synergies between the sites, a number of other indirect benefits with future development potential have emerged. Particular value was placed on establishing continuous quality management by automating the issuing of mill certificates and optimizing the use of barcodes in production and logistics. Standardized databases, rules, checks and definitions will lead to improved cost transparency, among other benefits, and thus create better bases for decision-making in terms of the Group's further development.

The new ERP solution acts as both a solid foundation and catalyst for sustained improvements to the services we provide to customers. A larger volume of more exact and more up-to-date information is being processed today than was possible in the past given the variety of different systems. The future development of both IT and the organization as a whole will continue to be aligned to our customers and their needs.

Alberto Pol, 47 years old, with Swissmetal since September 1983, extrusion press

Financial Report 2004

Swissmetal Group

UMS Swiss Metalworks Holding Ltd

Consolidated balance sheet

all figures with the exception of share prices are reported in thousands of Swiss francs (CHF 000)

ASSETS		31.12.2004		31.12.2003	
	Notes	CHF 000	in %	CHF 000	in %
Current assets					
Cash and cash equivalents	01	9 307	5.7	13 705	9.5
Securities	02	2	0.0	1 341	0.9
Notes receivable, cheques		285	0.2	0	0.0
Trade accounts receivable	03	32 207	19.9	28 262	19.5
Other receivables	04	10 073	6.2	8 035	5.5
Stock	05	44 888	27.7	27 459	19.0
Accrued income and prepaid expenses	06	2 346	1.4	1 891	1.3
Total current assets		**99 108**	**61.1**	**80 693**	**55.7**
Fixed assets					
Property, plant, equipment and intangible assets	07	62 890	38.9	63 812	44.0
Investments	08	0	0.0	110	0.1
Loans	09	81	0.0	254	0.2
Total fixed assets		**62 971**	**38.9**	**64 176**	**44.3**
TOTAL ASSETS		**162 079**	**100.0**	**144 869**	**100.0**

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.2004		31.12.2003	
Short-term liabilities					
Interest-bearing debt	10	2 621	1.6	39 413	27.2
Trade accounts payable	11	16 162	10.0	11 823	8.2
Other liabilities	12	3 161	2.0	2 163	1.5
Accrued expenses and deferred income	13	3 100	1.9	1 100	0.8
Provisions	14	2 673	1.6	19 198	13.2
Total short-term liabilities		**27 717**	**17.1**	**73 697**	**50.9**
Long-term liabilities					
Compulsory stockpile loan	15	11 000	6.8	12 000	8.3
Loans from third parties	15	0	0.0	3 365	2.3
Provisions	14	4 931	3.0	3 115	2.1
Total long-term liabilities		**15 931**	**9.8**	**18 480**	**12.7**
Total liabilities		**43 648**	**26.9**	**92 177**	**63.6**
Minority interests	16	**88**	**0.1**	**87**	**0.1**
Shareholders' equity	17				
Share capital		58 910	36.3	85 000	58.7
Reserves for own shares		0	0.0	2 300	1.6
Capital reserves		37 420	23.1	0	0.0
Retained earnings		5 059	3.1	–27 769	–19.2
Own shares		–700	–0.4	0	0.0
Cumulative exchange rate translation differences		–32	0.0	0	0.0
Result for the year		17 686	10.9	–6 926	–4.8
Total shareholders' equity		**118 343**	**73.0**	**52 605**	**36.3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**162 079**	**100.0**	**144 869**	**100.0**

Since 31 December 2004 the two subsidiaries Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town, have been excluded from the scope of consolidation as both companies are in the process of closing down. The two companies are still included in the consolidated balance sheet for the period ending 31 December 2003.

Consolidated profit and loss account

	Notes	CHF 000 2004	in % 2004	CHF 000 2003	in % 2003
Gross sales	**18**	**204 830**	**172.9**	**170 596**	**169.2**
Deductions from gross sales	19	–9 696	–8.1	–8 083	–8.0
Net sales		**195 134**	**164.8**	**162 513**	**161.2**
Material expenses and changes in stock	20	–76 700	–64.8	–61 693	–61.2
Gross margin		**118 434**	**100.0**	**100 820**	**100.0**
Other operating income		137	0.1	512	0.5
Own work capitalized	21	368	0.3	347	0.3
Personnel expenses	22	–69 593	–58.7	–64 277	–63.8
Operating and administrative expenses	23	–28 544	–24.1	–23 915	–23.7
Restructuring expenses	24	–569	–0.5	–1 073	–1.0
Earnings before interest, tax, depreciation and amortization (EBITDA)		**20 233**	**17.1**	**12 414**	**12.3**
Depreciation	25	–11 867	–10.0	–11 413	–11.3
Earnings before interest and tax (EBIT)		**8 366**	**7.1**	**1 001**	**1.0**
Financial result	26	–3 656	–3.1	–3 849	–3.8
Refinancing expenses	27	–1 354	–1.1	–1 739	–1.7
Non-operating result	28	2 166	1.8	–1 263	–1.3
Extraordinary result	29	12 900	10.9	–681	–0.7
Earnings before tax (EBT)		**18 422**	**15.6**	**–6 531**	**–6.5**
Taxes	30	–736	–0.7	–392	–0.4
Group earnings for the year before deduction of minority interests		**17 686**	**14.9**	**–6 923**	**–6.9**
Minority interests		0	0.0	–3	0.0
Results for the year after tax (EAT)		**17 686**	**14.9**	**–6 926**	**–6.9**

The two subsidiaries Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town, are included in the scope of consolidation for the last time in the consolidated profit and loss account for 2004.

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

Consolidated cash flow statement

	2004	2003
	CHF 000	CHF 000
Cash flow from business operations		
Result for the year	17 686	–6 926
Depreciation on property, plant, equipment and intangible assets	11 867	11 413
Movement in provisions		
– Short-term	–13 630	–530
– Long-term	1 816	65
Other profit and loss items not affecting liquid funds[1)]	–4 523	1 022
Cash flow before movements in net current assets	**13 216**	**5 044**
Movement in securities, receivables, accrued income and prepaid expenses	–4 261	–5 544
Movement in stock	–16 546	6 776
Movement in trade accounts payable	4 340	4 295
Movement in other short-term liabilities and accrued expenses/deferred income	4 164	613
Total cash flow from business operations (operating cash flow) before non-recurring effect	**913**	**11 184**
Receivables purchased in connection with bank guarantees (non-recurring effect)	–5 551	0
Total cash flow from business operations (operating cash flow) after non-recurring effect	**–4 638**	**11 184**
Cash flow from investing activities		
Purchase of property, plant, equipment and intangible assets	–11 226	–9 404
Sale of property, plant, equipment and intangible assets	1 626	4 670
Total cash flow from investing activities	**–9 600**	**–4 734**
Free cash flow	**–14 238**	**6 450**
Cash flow from financing activities		
Movement in amounts due to banks	–32 655	1 030
Shareholders' equity transactions	44 905	0
Movement in loans	–2 402	–500
Total cash flow from financing activities	**9 848**	**530**
Effect of exchange rate on liquid funds	**–8**	**39**
Movement in liquid funds	**–4 398**	**7 019**
Liquid funds as at 1 January	**13 705**	**6 686**
Liquid funds as at 31 December	**9 307**	**13 705**

Refer to Note 01 concerning "Liquid funds" as at 31 December.

[1)] **Other profit and loss items not affecting liquid funds**	**2004**	**2003**
Bank waivers	–6 270	0
Deconsolidation effects	2 423	0
Net gain/loss on disposal of property, plant and equipment	–1 603	552
Tax effect on shareholders' equity transactions	1 445	0
Value adjustments on assets	–410	–865
Value adjustments on investments	110	0
Exchange rate differences on valuations of bank loans	–488	1 350
Other	270	–15
Total	**–4 523**	**1 022**

The two subsidiaries Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town, are included in the scope of consolidation for the last time in the consolidated cash flow statement for 2004.

Statement of changes in the consolidated shareholders’ equity

CHF 000	Share capital	Capital reserves [1]	Own shares	Retained earnings [2]	Cumulative exchange rate translation differences	Total share-holders’ equity
As at 1 January 2003	**85 000**			**–25 610**		**59 390**
Result for the year, 2003				–6 926		–6 926
Exchange rate translation differences				141		141
As at 1 January 2004	**85 000**			**–32 395**		**52 605**
Effect of Swiss GAAP FER 24 (reclassification)			–700			–700
Reclassification of cumulative exchange rate translation differences				2 475	–2 475	0
As at 1 January 2004 (after reclassification)	**85 000**		**–700**	**–29 920**	**–2 475**	**51 905**
1st capital reduction	–35 020			35 020		0
2nd capital reduction	–42 330	42 330				0
Capital increase tranche A	23 000					23 000
Capital increase tranche B	28 260					28 260
Shareholders’ equity transaction costs		–4 910				–4 910
Result for the year, 2004				17 686		17 686
Changes in scope of consolidation				–41	2 443	2 402
As at 31 December 2004	**58 910**	**37 420**	**–700**	**22 745**	**–32**	**118 343**

[1] includes paid-up statutory reserves and shareholders’ equity transaction costs
[2] includes reserves for own shares (CHF 2.3 million), profits on initial and subsequent consolidation, balance brought forward and the result for the year

As a result of the introduction of the Swiss GAAP FER 24 on 1 January 2004, reserves for own shares totalling CHF 2.3 million were reported to retained earnings and own shares (reported at the end of 2003 under securities at a price of CHF 35.00 per share) were deducted from shareholders' equity. Retained earnings include CHF 12.8 million of non-distributable reserves.

Even after refinancing, 20,000 own shares are still held as no use was made of the right to purchase newly issued shares.

	31.12.2004	**31.12.2003**
	Units	Units
Own shares held	20 000	20 000

Under the Stock Option Plan, senior executives held 8,300 unexpired options as at 31 December 2004. After a qualifying period of three years, these give entitlement to an equivalent number of shares at the exercise price of CHF 125.00 and expire in 2005. No new options have been issued since the capital increase.

Refinancing

At the end of 2002 the Swissmetal Group was unable to repay part of its debt on time. As a result, UMS Swiss Metalworks Holding Ltd, Berne, concluded a financing agreement ("moratorium agreement") in 2003 with a bank consortium which expired on 30 June 2004.

In June 2004 UMS Swiss Metalworks Holding Ltd, Berne, proposed a comprehensive refinancing plan to its shareholders, which was approved by the General Meeting on 30 June 2004.

The refinancing plan was duly implemented in July 2004. It contains the following key elements:

a) Capital reduction through nominal value reduction

The 850,000 "old" shares were reduced in two stages from CHF 100.00 each to CHF 9.00 each. This represents a total reduction in share capital of CHF 77.3 million.

In a first stage the nominal value of the 850,000 outstanding "old" shares was reduced to CHF 58.80 each, which offset the accumulated loss at UMS Swiss Metalworks Holding Ltd, Berne, of CHF 39.2 million, after deducting the general legal reserves (CHF 4.2 million). This represented a capital reduction of CHF 35.0 million, which led to the elimination of the accumulated loss carry-forward.

In a second stage the nominal value of the shares was reduced from CHF 58.80 by a further CHF 49.80 to CHF 9.00 each. This reduced the share capital by a further CHF 42.3 million, which was reported to the legal reserves.

b) Issue of new bearer shares through a capital increase in two tranches

In all, 5,695,556 new shares were issued, representing a capital increase of CHF 51.3 million.

- Tranche A: a capital increase of CHF 23.0 million with subscription rights for existing shareholders. 2,555,556 shares were issued under a 3-for-1 rights offer to existing shareholders at a purchase price of CHF 9.00, with no subscription rights being traded. In all, 72.4% of the shares offered to the existing shareholders were subscribed. The remaining 27.6% were subscribed by third parties on the same conditions.
- Tranche B: CHF 28.3 million, mostly debt-to-equity swap. In a second tranche, 3,140,000 new bearer shares were issued, also at an issue price of CHF 9.00 a share. This tranche was financed to CHF 27.3 million by a debt-to-equity swap and to CHF 1.0 million by selling new shares to the management of the Swissmetal Group.

The new shares from both tranches have been in circulation since 20 July 2004. This means that there are currently 6,545,556 bearer shares of UMS Swiss Metalworks Holding Ltd, Berne, in circulation, all traded on the SWX Swiss Exchange under the security number 257 226. Gross shareholders' equity transaction costs totalled CHF 6.4 million, and other refinancing expenses amounted to CHF 1.4 million.

c) Waiver by lending banks

The lending banks in the bank consortium have already declared their readiness in the context of the refinancing to waive claims amounting to CHF 6.3 million.

The debts of CHF 38.4 million outstanding to the banks in the consortium as at 31 December 2003 were reduced to CHF 4.8 million by waivers (CHF 6.3 million) and by a debt-to-equity swap (CHF 27.3 million). Foreign currency gains reduced the overall debt by a further CHF 0.5 million. The remaining debts of CHF 4.3 million were repaid immediately after the refinancing in order to optimize interest expenses.

d) New credit lines

Part of the bank consortium is offering a new credit line to Swissmetal – UMS Swiss Metalworks Ltd, Berne, of CHF 7.5 million, for four years.

e) Securities

As part of the capital increase, all the securities transferred during the moratorium agreement were returned to Swissmetal. Only the newly granted credit line to Swissmetal – UMS Swiss Metalworks Ltd, Berne, is now secured by its receivables and a guarantee for CHF 8.0 million from UMS Swiss Metalworks Holding Ltd, Berne.

f) Delivered bank guarantees

In relation with the insolvency proceedings of Busch-Jaeger GmbH, Lüdenscheid, UMS Swiss Metalworks Holding, Ltd, Berne, recognised provisions for the bank guarantees that were given by UMS Swiss Metalworks Holding, Ltd, Berne, to the banks of Swissmetal Busch-Jaeger, Lüdenscheid. The provision had a value of CHF 9.5 million as per

31 December 2003. The two banks which had guarantee claims outstanding against UMS Swiss Metalworks Holding Ltd, Berne, the insolvency administrator of Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and UMS Swiss Metalworks Holding Ltd, Berne, concluded and implemented the following agreement as precondition for the refinancing in June 2004:

a) UMS Swiss Metalworks Holding Ltd, Berne, paid CHF 5.6 million for the short term part of this bank guarantee and obtained receivables amounting to CHF 3.8 million (EUR 2.5 million) in return. The obtained claims were filed against the insolvency proceedings of Swissmetal Busch-Jaeger, Lüdenscheid and the value adjusted (30%) and discounted proceedings have since been included in the balance sheet. The remaining amount of CHF 2.4 Mio. (EUR 1.6 million) was accounted for under other liabilities.

b) The long-term bank guarantee of CHF 3.1 million (EUR 2.0 million) was converted into a loan loss guarantee.

The remaining provision for the loan loss guarantee of CHF 3.1 million (EUR 2.0 million) was released at the end of the year and recognized in the profit and loss account, as the bank had no further claim. The provisions in this connection of CHF 9.5 million as at 31 December 2003 were partly used and partly reversed and no longer exist at the end of 2004.

The financial inflow from refinancing amounted to CHF 17.6 million, corresponding to tranche A (CHF 23.0 million) and to the shares purchased by management from tranche B of CHF 1.0 million, less the gross shareholders' equity costs referred to above of CHF 6.4 million. This amount was and is being used for general business purposes in operating activities, including, among other items, the financing of net current assets, the partial repayment of the compulsory stockpile loan, the repayment of the factoring facility and the temporary remaining current account payables, and for capital expenditures, specifically the purchase of a new press.

The following arrangement for the repayment of the compulsory stockpile loan was reached with the Swiss Confederation: CHF 1.0 million is to be repaid in each of the years 2004 to 2006, and CHF 3.3 million in each of the following three years. The net debt of the Swissmetal Group before and after refinancing is shown in the following table (as of 31 December).

The refinancing put the strategic and operational realignments of the Swissmetal Group on a solid financial basis, ensuring its ability to continue as a going concern.

CHF million		2004	2003
Borrower	**Lender**		
UMS Swiss Metalworks Holding Ltd, Berne	Bank debts to the bank consortium	0	38.4
	Delivered bank guarantees in connection with Swissmetal Busch-Jaeger GmbH, Lüdenscheid [1]	0	9.5
Swissmetal – UMS Swiss Metalworks Ltd, Berne	Compulsory stockpile loan [2]	12.0	13.0
	Employee loans [3]	0.5	3.4
	Liabilities to employee benefit foundations	1.2	0
Total debt		**13.7**	**64.3**
Less liquid funds		–9.3	–13.7
Net debt		**4.4**	**50.6**

[1] Interest was paid on delivered bank guarantees under the moratorium agreement.
[2] The compulsory stockpile loan includes CHF 1.0 million in short-term liabilities, as this portion always has to be repaid within a year.
[3] The Board of Directors decided in 2004 to repay the employee loans.

Scope of consolidation

All companies in which UMS Swiss Metalworks Holding Ltd, Berne, holds a share of 50% or more are consolidated.

The scope of consolidation as at 31 December 2004 includes the following companies:

- UMS Swiss Metalworks Holding Ltd, Berne, Switzerland
- Swissmetal – UMS Swiss Metalworks Ltd, Berne, Switzerland, including the Boillat and Dornach plants (participating interest 100%)
- Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, Germany (participating interest 100%)
- Swissmetal Italia s.r.l., Milan, Italy (participating interest 80%)

The following changes in the scope of consolidation occurred as of 31 December 2004: The companies Swissmetal France S.A.S., Montreuil, and UMS Cayman Ltd, George Town, were deconsolidated as of 31 December 2004. The companies are in the process of winding down and will be finally deleted from the commercial registers in 2005. The balance sheets of the two companies are accordingly no longer included in the consolidated financial statements for the period ending 31 December 2004, although the profit and loss accounts and statements of cash flow are included for the last time. Non-consolidated participations are stated as equity.

Consolidation policies

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 Swiss GAAP FER. Swissmetal evaluates to change by 31 December 2006 to International Financial Reporting Standard (IFRS).

Equity consolidation has been applied in accordance with the purchase method (revaluation method). By employing the full consolidation method, the assets and liabilities as well as the expenses and income of the consolidated companies are recorded in full. The minority interests in the equity and earnings of each company are shown separately under the item “minority interests” in the balance sheet and in the profit and loss account. Intragroup receivables and payables as well as income and expenses have been eliminated. As there were no material internal profits on stock, elimination has been waived.

Accounting policies

The assets and liabilities of the Swissmetal Group are stated at the highest values permitted by Swiss company law (acquisition value less operationally required value adjustments). Deferred taxes on untaxed reserves are calculated at the expected future tax rates and provided for.

Stock

The method of valuing stock has been adapted to suit operating requirements. Production companies value crude metals and own makes (metal portion) in line with the LIFO (last in first out) method, taking into account the purchase and selling commitments as of the balance sheet date. The stock held by the trading companies is stated in the balance sheet at average cost. Valuation of stock (value added) was converted from marginal costing to total costing in the year under review.

Provisions

Provisions were created for all foreseeable risks of loss.

Foreign currencies

At individual Group companies, expenses and income are recorded at the relevant daily or hedging rates. Short-term assets and liabilities in foreign currency are converted at hedging rates. For unhedged items, the respective year-end rates are applied. Ensuing gains and losses are reflected in the profit and loss account. For the purposes of consolidation, the balance sheet items of foreign Group companies were translated on the basis of the current rate method at the year-end rates prevailing on 31 December 2004 and 31 December 2003 respectively. The profit and loss accounts of foreign Group companies were translated at average rates for the year. The translation differences have been reported under shareholders’ equity as foreign currency translation differences and do not affect the profit and loss account.

Rates for foreign currency translation				
CHF		2004		2003
	Balance sheet	Profit and loss account	Balance sheet	Profit and loss account
1 EUR	1.5440	1.5440	1.5600	1.5210
1 USD	1.1320	1.2430	1.2420	1.3450
1 GBP	2.1800	2.2760	2.2090	2.1980

Maturities

Receivables and payables with an economic duration of more than 12 months are classified as long-term. Parts of long-term positions falling due in the short-term are reclassified.

Research and development

Research and development expenses amounting to CHF 1.3 million (previous year CHF 1.2 million) were not capitalized but were charged to the profit and loss account. Personnel costs of CHF 1.1 million (previous year CHF 1.1 million) constitute the largest portion of these expenses.

Provisions for bad and doubtful debts

Provisions for bad and doubtful debts comprise individual valuation adjustments as well as a global valuation adjustment equivalent to 3% of unsecured accounts receivable. This provision amounted to CHF 3.1 million as at 31 December 2004, compared with CHF 2.8 million in the previous year.

Property, plant, equipment and intangibles

Principles of capitalization

Property, plant, equipment and intangibles are capitalized at no more than the cost of acquisition or production. They are adjusted for operationally required depreciation. Assets with an acquisition cost in excess of CHF 5,000 per project, and which have a useful life of at least two years, are capitalized.

Depreciation

Scheduled depreciation of property, plant and equipment reflects the reduction in the value of fixed assets as a result of wear and tear and ageing, and is calculated using operational rates. The rates applied are as follows:

Land and buildings		
	years	in %
Land		0.0
Buildings, solid structure – industrial buildings	25	4.0
Buildings, solid structure – office buildings	40	2.5
Buildings, lightweight – industrial buildings	10	10.0
Buildings, lightweight – office buildings	20	5.0
Residential buildings	50	2.0
Infrastructure	33	3.0

Technical facilities, machines, plant and office furnishings		
	years	in %
Fabrication plant and machinery (average life)	10	10.0
Fabrication plant and machinery (short life)	5	20.0
Logistical aids	5	20.0
Major facilities (presses, casting systems)	15	6.7
Infrastructure (average life)	10	10.0
Infrastructure (short life)	5	20.0
Office machinery and furniture	5	20.0
Computers (mainframe, servers, printers)	5	20.0
Computers (PC, small printers etc)	3	33.3
Vehicles (warehouse and passenger vehicles)	5	20.0
Vehicles (trucks)	8	12.5

Intangible assets		
Software	3	33.3

If the anticipated useful life is shorter than the life resulting from applying the above rates, then the shorter useful life is applied.

Impairment

Property, plant, equipment and intangibles are assessed in terms of value impairment where there are indications of a lasting reduction in their value. If the book value of an asset exceeds its realizable value in use, then a value impairment is made; the value in use of an asset corresponds to the present value of expected future cash flows. In the event of a value impairment, the book value is reduced to the realizable value and the impairment charged to the profit and loss account for the period.

Staff pension funds

Since 1 January 2000, the Swissmetal Group has disclosed its pension fund liabilities in accordance with the principles set out in Swiss GAAP FER 16, and has supplemented the notes to the consolidated balance sheet and profit and loss account accordingly. The Swissmetal Group bears the costs of employee benefits for all employees and their surviving dependants on the basis of the legal provisions. All of the Swissmetal Group's main pension schemes are subject to Swiss law. The pension commitments and the covering assets have been divested into legally independent foundations.

The organization, management and financing of the pension schemes comply with the law (Swiss Federal Law on the Occupational Old Age, Survivors' and Disability Benefit Plans, BVG), the foundation charters and the applicable benefit regulations. The pension commitments are regularly reassessed by pension fund experts. The Swissmetal Group's pension funds are defined-contribution funds in accordance with Swiss GAAP FER 16. The fluctuation reserves created as a contingency in the annual pension scheme accounts or yet to be created (to compensate for a shortfall in cover in the event of liquidation) and which are intended to cover fluctuations in stock exchange prices are stated according to Swiss GAAP FER 16.

The group companies Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, and Swissmetal Italia s.r.l., Milan, do not operate an independent pension scheme. Therefore, appropriate provisions are made in the consolidated balance sheet.

Notes to the consolidated balance sheet

Cash and cash equivalents (Note 01)

Liquid assets at the balance sheet date totalled CHF 9.3 million, representing a decrease on the previous year of CHF 4.4 million. This decrease in liquid assets, despite the capital increase and an inflow of funds of CHF 17.6 million, is largely due to the repayment of bank borrowing, capital tied up in current assets, and investment expenses.

Securities (Note 02)

The decrease of CHF 1.3 million is due to the sale of shares of the Memry Corporation, Delaware, (CHF 0.6 million) and to the reclassification of own shares to shareholders' equity (CHF 0.7 million) following the introduction of Swiss GAAP FER 24.

Trade accounts receivable (Note 03)

Compared to the previous year, trade accounts receivable rose CHF 3.9 million to CHF 32.2 million. This rise is due primarily to higher metal prices and sales volumes, which boost the total for outstanding items. The receivables serve as securities for the newly granted credit line (See also refinancing/securities).

Other receivables (Note 04)

Other receivables totalled CHF 10.1 million, CHF 2.0 million above the previous year. Most of this represents VAT credits (CHF 3.2 million). In addition, there are receivables from the factoring company (CHF 2.3 million) and from the employee benefits foundation in Reconvilier (CHF 1.7 million). The remainder relates to the bank guarantees purchased by UMS Swiss Metalworks Holding Ltd, Berne, which after a 30% value adjustment and discounting still amount to CHF 2.4 million, and various other items (CHF 0.5 million) (See also refinancing/delivered bank guarantees).

Stock (Note 05)

The following is a breakdown of stock:

CHF 000	31.12.2004	31.12.2003
Crude metals	10 482	5 993
Own makes – metal content	21 416	12 775
Own makes – value added	11 489	7 008
Own makes at trading companies	1 501	1 683
Total stock	**44 888**	**27 459**

There are three main reasons why stock increased in value in the year under review by CHF 17.4 million or 63% to CHF 44.9 million.

Firstly, metal prices were relatively high overall in 2004, leading to an impact of CHF 8.0 million. The average purchase price of copper on the exchange was some 44% higher than in 2003. Secondly, stock was built up by 22% in 2004 to 17,600 tons, partly as a result of higher sales, partly to ensure the ability to deliver after the introduction of SAP in the second half of the year. This had an effect of around CHF 6.0 million on the overall figure. In addition, the change in valuation methods for work units (value added) from marginal to total cost increased the value of goods by approximately CHF 3.0 million (See also material expenses and movement in stocks).

The market value of stock as at 31 December 2004 was CHF 68.7 million, an increase of CHF 20.3 million on the previous year (CHF 48.4 million), reflecting changes in both price and volume.

Accrued income and prepaid expenses (Note 06)

Accrued income and prepaid expenses increased from CHF 1.9 million to CHF 2.3 million. CHF 2.2 million of this comprises deferred tax credits from tax loss carry-forwards (See also taxes).

Property, plant, equipment and intangibles (Note 07)

Tangible and intangible assets schedule

CHF 000	Land	Buildings	Machines and technical equipment	Other facilities	Facilities under construction	Intangible assets	Total 2004	Total 2003
Acquisition values								
Position as at 1 January	**2 484**	**73 337**	**209 826**	**10 612**	**3 199**	**2 884**	**302 342**	**314 471**
Additions				27	11 196	3	11 226	9 404
Disposals		–3 137	–2 730	–1 971	–259	–1 024	–9 121	–21 551
Transfer of facilities under construction		322	6 979	1 336	–12 192	3 555	0	
Reclassification		–2 110	1 935	175			0	
Exchange rate translation				–1			–1	18
Position as at 31 December	**2 484**	**68 412**	**216 010**	**10 178**	**1 944**	**5 418**	**304 446**	**302 342**
Accumulated depreciation								
Position as at 1 January	**3**	**59 479**	**166 685**	**9 570**		**2 793**	**238 530**	**243 363**
Scheduled and unscheduled depreciation		1 326	9 275	692		574	11 867	11 413
Disposals		–3 114	–2 730	–1 976		–1 023	–8 843	–16 257
Reclassification		–2 026	1 904	122			0	
Exchange rate translation			2				2	12
Position as at 31 December	**3**	**55 665**	**175 136**	**8 408**		**2 344**	**241 556**	**238 530**
Balance sheet values								
as at 1 January	2 481	13 858	43 141	1 042	3 199	91	63 812	71 108
as at 31 December	2 481	12 747	40 874	1 770	1 944	3 074	62 890	63 812
Fire insurance values								
as at 31 December		220 187	306 000	2 279			528 466	527 735

The “Buildings” asset category as at 31 December 2004 includes buildings not required for operational purposes with a book value of CHF 0.5 million.

Disposals of property relate to the sale of property not required for operational purposes at the Dornach site.

Intangible assets comprise software only.

With regard to the impairment adjustment in 2002, there were neither new signs of additional impairment nor any significant improvement in the underlying factors in 2004, so that the impairment adjustment of CHF 12.7 million in 2002 (gross value) remains in force.

Participations (Note 08)

Participations in the energy company R.U. Calor S.A., Reconvilier, and "Wohnbaugenossenschaft Gibelinpark", Solothurn, were written off in full as at 31 December 2004. The previous year's value was CHF 0.1 million.

Loans (Note 09)

Loans in connection with earlier land sales decreased by CHF 0.2 million in 2004 and totalled only CHF 0.1 million as at 31 December 2004.

Short-term interest-bearing debt (Note 10)

CHF 000	31.12.2004	31.12.2003
Credit type		
Current account	0	1 020
Bank loans	1 000	38 393
Loans from employees	457	0
Liabilities to employee benefits foundation	1 164	0
Total short-term interest-bearing debt	**2 621**	**39 413**

The debts of CHF 38.4 million outstanding to the banks in the consortium as at 31 December 2003 were reduced to CHF 4.8 million by waivers (CHF 6.3 million) and by a debt-to-equity swap (CHF 27.3 million). Foreign currency gains reduced the debt by a further CHF 0.5 million. The remaining CHF 4.3 million was repaid directly after refinancing in order to optimize interest expenses.

Short-term debt of CHF 39.4 million as per 31 December 2003 includes not only liabilities to the bank consortium but also the short-term part of the compulsory stockpile loan of CHF 1.0 million, which was repaid in the year under review in accordance with the agreement with the Swiss Confederation.

The debts of CHF 2.6 million as per 31 December 2004 include liabilities to employee benefit foundations (CHF 1.1 million), the part of the compulsory stockpile loan to be repaid in 2005 (CHF 1.0 million) and the remaining employee loans (CHF 0.5 million), which will be repaid in full in 2005.

The average interest rate for short-term interest-bearing debt was 3.7% in 2004. In addition, interest of CHF 0.2 million was paid for delivered bank guarantees (See also refinance, contingent liabilities).

Trade accounts payable (Note 11)

Trade accounts payable rose CHF 4.4 million over the previous year to CHF 16.2 million. This is among others due to higher metal prices and an increased volume of purchasing.

Other liabilities (Note 12)

Other liabilities rose CHF 1.0 million on the previous year to CHF 3.2 million, primarily due to the introduction of Swiss GAAP FER 23, which requires recognition of holiday and overtime entitlement as other liabilities. Holiday and overtime entitlement at the balance sheet date totalled CHF 1.1 million, which is CHF 0.7 million higher than in the previous year. The remaining other liabilities relate specifically to items in connection with salary bonuses and social benefits.

Accrued expenses and deferred income (Note 13)

Accrued expenses and deferred income amounted to CHF 3.1 million, CHF 2.0 million higher than in the previous year. The increase is due primarily to the allocation to the accounting period of annual rebates and commissions (CHF 1.3 million) and to auditing and consultancy services (CHF 0.4 million), which, following the introduction of Swiss GAAP FER 23, must be recognized here. The remaining amount relates to various operational accruals and deferrals.

Provisions (Note 14)

CHF 000	Guarantees	Restructuring	Foreign currency risks	Holiday and overtime entitlement *	Auditing and consultancy services *	Taxes	Other	Pension commitments	Deferred taxes	Total
Book value as at 1.1.2003	11 000	5 082	1 200	675	507	120	1 200	306	2 722	22 812
Creation		1 700	1 098	440	660	18	1 269	11	54	5 250
Utilisation	–900	–2 867		–675	–503	–120	–679			–5 744
Reversal							–32			–32
Exchange rate differencies							5	22		27
Book value as at 31.12.03	**10 100**	**3 915**	**2 298**	**440**	**664**	**18**	**1 763**	**339**	**2 776**	**22 313**
Book value as at 1.1.04	10 100	3 915	2 298	440	664	18	1 763	339	2 776	22 313
Creation						6	500	15	1 305	1 826
Utilisation	–2 894	–2 270	–1 617	–440	–664	–18	–800			–8 703
Reversal	–6 619	–345					–857			–7 821
Exchange rate differencies							–7	–4		–11
Book value as at 31.12.04	**587**	**1 300**	**681**	**0**	**0**	**6**	**599**	**350**	**4 081**	**7 604**

* Due to the change in Swiss GAAP FER 23, the provisions for holiday and overtime entitlement were reported under "other liabilities" in the year under review. Provisions for auditing and consultancy services were recognized as accrued expenses (See also other liabilities and accrued expenses and deferred income).

The statement of provisions shows total short-term and long-term provisions. Provisions for deferred taxes, pension commitments and some other commitments are regarded as long-term provisions. In all, long-term provisions account for CHF 4.9 million and short-term provisions for CHF 2.7 million.

Overall, provisions have decreased by CHF 14.7 million. This is due particularly to the use of reversal of bank guarantees (CHF 9.5 million) and provisions for restructuring (CHF 2.6 million). The use of provisions for foreign currency risks (CHF 1.6 million) and changes in further provisions (CHF 2.8 million) also played a role. At the same time, provisions were also created: provisions for deferred taxes were increased by CHF 1.3 million to CHF 4.1 million due to a change in the expected tax rate.

The remaining provisions relate mainly to provisions for deferred taxes (CHF 4.1 million), restructuring (CHF 1.3 million), foreign exchanges risk (CHF 0.7 million), additional claims arising from the winding-up of the fiscal Group of companies in Germany (CHF 0.6 million). There are also provisions for pensions (CHF 0.4 million), which refer exclusively to companies where no independent staff pension schemes are provided (Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen, and Swissmetal Italia s.r.l., Milan).

Compulsory stockpile loan and third-party loans (Note 15)

CHF 000	Average interest rate in 2004	31.12.2004	31.12.2003
Compulsory stockpile loan	1.00%	11 000	12 000
Third party loans		0	3 365
Total long-term interest-bearing debt		**11 000**	**15 365**
Of which repayable in 1 to 5 years		11 000	15 365

CHF 1.0 million was paid back in the year under review on the compulsory stockpile loan. This is in accordance with the agreement with the Swiss Confederation providing for repayments of CHF 1.0 million for each year from 2004 to 2006, and CHF 3.3 million each year from 2007 to 2009. Third-party loans relate to loans from employees which – in accordance with a decision by the Board of Directors – have mostly been repaid; the rest has been reclassified as short-term interest-bearing debt (See also contingent liabilities and short-term interest-bearing debt).

Minority interests (Note 16)

This position relates to Swissmetal Italia s.r.l., Milan, and reflects its ownership interest in equity.

Shareholders' equity (Note 17)

For more information, see statement of changes in the consolidated shareholders' equity.

Major participating interests

The following shareholders held more than 5% of the capital of the UMS Swiss Metalworks Holding, Ltd, Berne, as at the balance sheet date:

in %	31.12.2004	31.12.2003
European Renaissance Fund Ltd (Fund Manager: Arlington Capital Investors Ltd)	> 5.0	12.0
Julius Baer Multistock SICAV (Fund Manager: Julius Baer Investment Funds Services Ltd)	> 5.0	
OZ Bankers	> 5.0	
UBS AG		15.5
Relag AG		12.0

In the year under review, the structure of shareholders changed significantly, among other factors as a result of the capital increase. As at 31 December 2004, European Renaissance Fund Ltd, OZ Bankers and Julius Baer Multistock SICAV held more than 5% of the capital of UMS Swiss Metalworks Holding, Ltd, Berne. All other shareholders reduced their holdings below 5% of the share capital.

Contingent liabilities

CHF 000	31.12.2004	31.12.2003
Guarantees granted for the benefit of third parties		
Guarantees	1 190	2 930
Restriction of title for own liabilities		
Carrying amounts of the assets used as security	57 404	21 012
Secured credit facility	19 500	13 000
Amount of secured credit facility used	12 000	13 000

The guarantees granted as per 31 December 2003 stood at CHF 2.9 million, which were reduced in the course of refinancing by CHF 1.7 million, leaving CHF 1.2 million. The secured credit line covers both the compulsory stockpile loan of CHF 12.0 million and the credit facility of CHF 7.5 million granted in the course of refinancing. (See also refinancing) In order to use the credit facility of CHF 7.5 million certain financial ratios have to be respected.

Financial commitments from leasing

Future commitments from off-balance sheet leasing contracts amount to:

CHF 000					Maturity
Leased assets	**2005**	**2006**	**2007**	**2008**	**Later**
Vehicles	224	214	193	112	66
Total	**224**	**214**	**193**	**112**	**66**

Off-balance sheet transactions

CHF 000	Contract value	Valuation at rate applicable on reporting date	Positive (+)/negative (–) replacement value
Purchase crude copper	1 346	1 904	558
Total replacement value			

The contract value refers to the total amount on which the transaction is based. Open positions at the balance sheet date are stated at market value. The positive replacement value refers to the amount lost in the event of default by the counterparty. The negative replacement value corresponds to the amount which would be lost to the counterparty in the event of non-performance.

Environment

In 2003, Ernst & Young AG, Zurich, conducted an extensive review and evaluation of the Swissmetal Group's operational and non-operational property, plant and equipment at the Dornach (Canton of Solothurn) and Reconvilier (Canton of Berne) sites. The environmental risks were assessed and quantified by SIUM Engineering AG (now U-Tech Zaugg), Thun.

Both sites are considered contaminated. Remediation measures may become necessary in the event of a change in use or construction projects. Given the planned investment in a new press, and the associated construction measures, there will be corresponding costs.

An environmental impact study is currently being carried out at the Dornach site in coordination with and at the request of the authorities of the Cantons of Solothurn and Basel-Landschaft. The preliminary study phase is scheduled for completion by the end of 2005, and the full review, including the resulting measures and associated costs, is expected to be concluded by the end of 2006.

In addition, the area around the Dornach works is being analysed in close cooperation with the environment departments of the Canton of Solothurn and the neighbouring Canton of Basel-Landschaft, and the pollution recorded in a land register as part of "Project P3". Further and in coordination with the Canton of Solothurn, the existing ground water monitoring programme will be renewed in 2005.

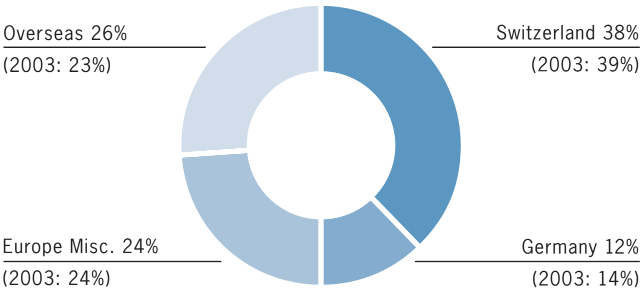
A thorough analysis of the environmental impact of the Swissmetal Group is also required by the Canton of Berne, and this request is being followed up in close cooperation with the responsible environment department. A project on the lines of the "Project P3" in Dornach is also being planned for the Reconvilier plant and its surroundings. Based on the current state of knowledge, the Group has formed provisions of CHF 0.5 million for environmental measures which may be necessary, depending on the results of the Dornach environmental impact study. The locations are also being continuously monitored, and the possibility that further risks may emerge cannot be ruled out, with resulting implications for costs.

Notes to the consolidated profit and loss account

Gross sales (Note 18)

Gross sales amount to CHF 204.8 million, 20% (CHF 34.2 million) above the previous year. This significant increase is due primarily to the strong economy and higher metal prices in 2004.

The following chart shows net sales per geographical region:



Deductions from gross sales (Note 19)

Deductions from gross sales increased from the previous year, rising from CHF 8.1 million to CHF 9.7 million. However, the ratio to gross sales is unchanged at 4.7%.

Material expenses and changes in stock (Note 20)

Material purchases of CHF 76.7 million are CHF 15.0 million above the previous year. 2004 was characterized by high metal prices, which are reflected in this figure. This item also includes CHF 4.2 million in stock movements, due both to an increase in the amount of stock held and a change in valuation methods from marginal to full cost basis. It is not possible to determine the exact effect of the change in valuation methods due to a change in corporate software and differences in the product mix. The estimated effect is approximately CHF 3.0 million.

Own work capitalized (Note 21)

Own work capitalized refers to work performed by the company's own staff on investments in plant and equipment and amounts to CHF 0.4 million. The personnel expenses associated with the introduction of a new corporate software were not capitalized.

Personnel expenses (Note 22)

Personnel expenses rose in 2004 by CHF 5.3 million over the previous year to a total of CHF 69.6 million. In response to cyclical influences, the company temporarily increased the number of production staff during the year under review by about 100. The increase of CHF 0.7 million in holiday and overtime entitlement (provision in the previous year: CHF 0.4 million) is explained by the rollout of new corporate software, which required additional hours of work, and by the healthy state of orders, ensuring an increase in production volume.

The average number of employees in 2004 was 807 full-time equivalents. This represents an increase of 52 full-time equivalents over the average for the previous year. Despite everything, the ratio of personnel expenses to gross margin was reduced from 63.8% in 2003 to 58.7%.

Pension funds

According to the financial statements for each of the previous years, the assets and financial situation of the pension funds on the balance sheet dates were as follows (broken down into 2 categories: pension schemes with a surplus and pension schemes with a shortfall)

CHF 000	31.12.2004	31.12.2003
Basis: financial statements of pension schemes	(31.12.2003)	(31.12.2002)
Pension schemes with a surplus		
Pension scheme assets at market value	14 126	13 357
Pension commitments	– 4 576	– 4 726
Total surplus	**9 550**	**8 631**
Pension schemes with a shortfall		
Pension scheme assets at market value	190 061	181 155
Pension commitments	–211 189	–220 322
Total shortfall	**–21 128**	**–39 167**
Net shortfall for all pension schemes	**–11 578**	**–30 536**
Fluctuation reserves	25 929	32 115
Total pension schemes without fluctuation reserve	**14 351**	**1 579**

The expenses for employee benefit (pension) commitments incorporated in the consolidated financial statements correspond mainly to the employer contributions of CHF 2.9 million. Based on the financial statement of the pension schemes as at 31 December 2003, in the pension schemes with surplus there are employer reserves to the extent of 2.2 million (in the previous year 2.2 million were also included).

Operating and administrative expenses (Note 23)

CHF 000	2004	2003
Energy	6 837	6 683
Operating supplies and work provided by third parties	14 552	10 789
Administrative services	5 837	5 319
Other expenses	1 318	1 124
Total operating and administrative expenses	**28 544**	**23 915**

Despite the rise in oil and gas prices and the increase in production volume, energy costs only rose by about CHF 0.2 million. This is to be attributed to long term energy contracts, as well as larger batch sizes and therefore lower energy cost per produced ton.

Operating supplies and work provided by third parties were up by CHF 3.8 million over the previous year for a number of reasons. For one reason additional operating supplies were required to satisfy higher output. Another reason was a certain amount of pent-up demand at both sides and a general rise in steel prices.

Costs for administrative services climbed by CHF 0.5 million, due particularly to the increased costs for the factoring company (CHF 0.4 million).

Other expenses primarily include travel and entertainment costs, which rose CHF 0.2 million compared to the previous year.

Restructuring expenses (Note 24)

Restructuring expenses amount to CHF 0.6 million, and specifically include consultancy services in connection with the Group's turnaround. The reduction of CHF 0.5 million on the previous year is primarily due to lower external consultancy costs.

Depreciation (Note 25)

Depreciation is CHF 11.9 million, up slightly on the previous year (CHF 11.4 million). All depreciation was scheduled.

Financial result (Note 26)

CHF 000	2004	2003
Financial income	182	255
Financial expenses	–2 149	–3 277
Exchange rate differences	754	–827
Changes in the scope of consolidation	–2 443	0
Financial result	**–3 656**	**–3 849**

The financial result improved by CHF 0.2 million over the previous year, despite a charge of CHF –2.4 million in the year under review due to the changes in the scope of consolidation (recognition in the profit and loss account of the currency translation differences at the time of deconsolidation of the subsidiaries). Where exchange rate differences in the previous year amounted to CHF –0.8 million, a foreign currency gain of CHF 0.8 million was made in the year under review. Financial expense comprises interest payments (CHF –1.4 million), other financial expenses (CHF –0.3 million), discounting (CHF –0.3 million) and value adjustments on participations (CHF –0.1 million).

Refinancing expenses (Note 27)

Refinancing expenses in the year under review amount to CHF 1.4 million, a reduction of CHF 0.4 million over the previous year. This includes the consultancy fees paid to the investment bank (CHF 0.9 million) and fees to the lead bank in the consortium (CHF 0.5 million).

Non-operating result (Note 28)

CHF 000	2004	2003
Non-operating income	2 273	706
Non-operating expenses	–107	–1 969
Non-operating result	**2 166**	**–1 263**

Non-operating income primarily includes the proceeds from the sale of buildings at the Dornach branch amounting to CHF 1.6 million and the reversal of a provision of CHF 0.6 million no longer required at a subsidiary. Non-operating expenses refer to various costs at the former Uetendorf branch.

Extraordinary result (Note 29)

The extraordinary result amounts to CHF 12.9 million and is due to non-recurring events in connection with the refinancing. As part of the capital increase, the lending banks waived CHF 6.3 million in claims. In addition, provisions of CHF 6.6 million against the delivered bank guarantees were reversed since they are now longer necessary and as the guarantees were dissolved (See also refinancing).

Taxes (Note 30)

In the year under review, CHF 0.1 million was spent on capital taxes and CHF 0.6 million on deferred taxes (expenditure on deferred taxes CHF 2.8 million; reduction of CHF 2.2 million by capitalisation of the loss carry-forward). In France and Italy, there were very small income tax expenses. Tax loss carry-forwards from the previous year amounted to CHF 24.9 million; these were not capitalized at the time due to the uncertainty of ongoing operations. CHF 16.2 million thereof was used in the year under review. The remaining tax loss carry-forwards of CHF 8.7 million can be claimed within seven years, and these were capitalized as the company has the ability to remain a going concern in the wake of the refinancing. The expected tax reduction of CHF 2.2 million was recognized in the balance sheet as a deferred tax credit.

Transactions with related parties

In Juli 2004, during the capital increase, members of the group management were able to purchase new shares at issue price of CHF 9.00 each. Martin Hellweg, CEO of the Swissmetal Group, purchased 88,000 shares. Martin Hellweg's shares are subject to a lock-up period: 88,000 shares until 31 July 2005, 58,000 shares until 31 July 2006 and 28,000 until 31 July 2007. As of 1 August 2007, no lock-ups apply. Under certain conditions, the lock-up period ceases to apply, in particular in the case of a takeover of the company or in the case that Martin Hellweg no longer belongs to the Board of Directors.

Events after the balance sheet date

No substantial events are known after the balance sheet date.

Report of the group auditors

to the General Meeting of UMS Swiss Metalworks Holding Ltd (Swissmetal Group), Berne

As auditors of the group, we have audited the consolidated financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in the consolidated shareholders' equity, annex and notes, pages 28 to 46) of UMS Swiss Metalworks Holding Ltd (Swissmetal Group), Berne, for the year ended 31 December 2004.

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.

PricewaterhouseCoopers AG
G. Tritschler C. Heitz

Basel, 12 May 2005

Balance sheet

ASSETS		31.12.2004		31.12.2003	
	Notes	CHF 000	in %	CHF 000	in %
Current assets					
Cash and cash equivalents		357	0.3	41	0.0
Securities	01	245	0.2	1 341	1.3
Other receivables	02	2 506	2.2	5	0.0
Group accounts receivable	03	11 568	10.1	830	0.8
Accrued income and prepaid expenses		0	0.0	708	0.7
Total current assets		**14 676**	**12.8**	**2 925**	**2.8**
Fixed assets					
Property, plant and equipment	04	0	0.0	0	0.0
Investments	05	100 025	87.2	101 529	96.9
Loans to group companies		0	0.0	355	0.3
Total fixed assets		**100 025**	**87.2**	**101 884**	**97.2**
TOTAL ASSETS		**114 701**	**100.0**	**104 809**	**100.0**

LIABILITIES AND SHAREHOLDERS' EQUITY					
Short-term liabilities					
Interest-bearing debt	06	0	0.0	38 379	36.6
Trade accounts payable		15	0.0	0	0.0
Other liabilities		14	0.0	52	0.0
Group accounts payable		0	0.0	1 599	1.6
Accrued expenses and deferred income		112	0.1	535	0.5
Provisions for taxes		6	0.0	0	0.0
Other provisions	07	587	0.5	11 967	11.4
Total short-term liabilities		**734**	**0.6**	**52 532**	**50.1**
Total liabilities		**734**	**0.6**	**52 532**	**50.1**
Shareholders' equity					
Share capital	08	58 910	51.4	85 000	81.1
Legal reserves		42 330	36.9	4 200	4.0
Reserve for own shares		2 300	2.0	2 300	2.2
Accumulated profit/loss		10 427	9.1	–39 223	–37.4
– Balance brought forward		–3	0.0	–32 711	–31.2
– Result for the year		10 430	9.1	–6 512	–6.2
Total shareholders' equity		**113 967**	**99.4**	**52 277**	**49.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**114 701**	**100**	**104 809**	**100.0**

The financial accounts are in accordance with Swiss law and statutes.

Profit and loss account

	Notes	2004 CHF 000	2003 CHF 000
Income from investments	09	0	5 000
Total operating income		**0**	**5 000**
Operating and administrative expenses	10	– 492	–585
Earnings before interest, tax, depreciation and amortization (EBITDA)		**– 492**	**4 415**
Depreciation	11	–1 504	– 4 370
Earnings before interest and tax (EBIT)		**–1 996**	**45**
Financial result	12	–2 006	–5 914
Non-operating result		0	41
Extraordinary result	13	14 457	–697
Earnings before tax (EBT)		**10 455**	**–6 525**
Taxes	14	–25	13
Results for the year (EAT)		**10 430**	**–6 512**

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

Refinancing

At the end of 2002 the Swissmetal Group was unable to repay part of its debt on time. As a result, UMS Swiss Metalworks Holding Ltd, Berne, concluded a financing agreement ("moratorium agreement") in 2003 with a bank consortium which expired on 30 June 2004.

In June 2004 UMS Swiss Metalworks Holding Ltd, Berne, proposed a comprehensive refinancing plan to its shareholders, which was approved by the General Meeting on 30 June 2004.

The refinancing plan was duly implemented in July 2004. It contains the following key elements:

a) Capital reduction through nominal value reduction

The 850,000 "old" shares were reduced in two stages from CHF 100.00 each to CHF 9.00 each. This represents a total reduction of the share capital of CHF 77.3 million.

In a first stage the nominal value of the 850,000 outstanding "old" shares was reduced to CHF 58.80 each, which offset the previous year's net accumulated loss at UMS Swiss Metalworks Holding Ltd, Berne, of CHF 39.2 million, after deducting the general statutory reserves (CHF 4.2 million). This represented a capital reduction of CHF 35.0 million, which led to the elimination of the accumulated loss. In a second stage the nominal value of the shares was reduced from CHF 58.80 by a further CHF 49.80 to CHF 9.00 each. This reduced the share capital by a further CHF 42.3 million, which was reported to the general legal reserves.

b) Issue of new bearer shares through a capital increase in two tranches

In all, 5,695,556 new shares were issued, representing a capital increase of CHF 51.3 million.

- Tranche A: a capital increase of CHF 23.0 million with subscription rights for existing shareholders 2,555,556 shares were issued with a 3-for-1 rights offer to existing shareholders at a purchase price of CHF 9.00, with no trading in rights. In all 72.4% of the shares offered to the existing shareholders were subscribed. The remaining 27.6% were subscribed by third parties on the same conditions.

- Tranche B: CHF 28.3 million, mostly debt-to-equity swap. In a second tranche, 3,140,000 new bearer shares were issued, also at an issue price of CHF 9.00 a share. This tranche was financed to CHF 27.3 million by a debt-to-equity swap and to CHF 1.0 million by selling new shares to the management of the Swissmetal Group.

CHF 000	Share capital	General legal reserves	Reserve for own shares	Accumulated profit/loss	Total shareholders' equity
As at 1 January 2004	**85 000**	**4 200**	**2 300**	**–39 223**	**52 277**
1st capital reduction	–35 020	–4 200		39 220	0
2nd capital reduction	–42 330	42 330			0
Capital increase tranche A	23 000				23 000
Capital increase tranche B	28 260				28 260
Results for the year, 2004				10 430	10 430
As at 31 December 2004	**58 910**	**42 330**	**2 300**	**10 427**	**113 967**

The new shares from both tranches have been in circulation since 20 July 2004. This means that there are currently 6,545,556 bearer shares of UMS Swiss Metalworks Holding Ltd, Berne, in circulation, all traded on the SWX Swiss Exchange under security number 257 226.

c) Waiver by lending banks

The lending banks in the bank consortium have already declared their readiness in the context of refinancing to waive claims amounting to CHF 6.3 million.

The debts of CHF 38.4 million outstanding to the bank consortium as of 31 December 2003 were reduced to CHF 4.8 million by waivers (CHF 6.3 million) and by a debt-to-equity swap (CHF 27.3 million). Foreign currency gains reduced the debt by a further CHF 0.5 million. The remaining debts of CHF 4.3 million were repaid directly following refinancing in order to optimize interest expenses.

d) New credit lines

Part of the bank consortium is offering a new credit line to Swissmetal – UMS Swiss Metalworks Ltd, Berne, of CHF 7.5 million.

e) Securities

As part of the capital increase, all the securities transferred during the moratorium agreement were returned. Only the newly granted credit line to Swissmetal - UMS Swiss Metalworks Ltd, Berne, is now secured by its receivables and a guarantee for CHF 8.0 million from UMS Swiss Metalworks Holding Ltd, Berne.

f) Delivered bank guarantees

In relation with the insolvency proceedings of Busch-Jaeger GmbH, Lüdenscheid, UMS Swiss Metalworks Holding Ltd, Berne, accrued provisions for the bank guarantees that were given by UMS Swiss Metalworks Holding Ltd, Berne, to the banks of Swissmetal Busch-Jaeger, Lüdenscheid. The provision had a value of CHF 9.5 million as per 31 December 2003.

The two banks which had guarantee claims outstanding against UMS Swiss Metalworks Holding Ltd, Berne, the insolvency administrator of Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal – UMS Swiss Metalworks Ltd, Berne, concluded and implemented the following agreement in June 2004:

a) UMS Swiss Metalworks Holding Ltd, Berne, paid CHF 5.6 million for the short term part of this bank guarantee and obtained receivables amounting to CHF 3.8 million (EUR 2.5 million) in return as precondition of the refinancing. The obtained claims were filed against the insolvency proceedings of Swissmetal Busch-Jaeger, Lüdenscheid and the value adjusted (30%) and discounted proceedings have since been included in the balance sheet. The remaining amount of CHF 2.4 Mio. (EUR 1.6 million) was accounted for under other receivables.

b) The long term bank guarantees of CHF 3.1 million (EUR 2.0 million) was converted into a loan loss guarantee.

The remaining provision for the loan loss guarantee of CHF 3.1 million (EUR 2.0 million) was released at the end of the year and recognized in the profit and loss account, as the bank had no further claim. The provisions in this connection as at 31 December 2003 of CHF 9.5 million were partly used and partly reduced; they no longer exist as at the end of 2004. The refinancing put the strategic and operational realignments of the company on a solid financial basis, ensuring its ability to continue as a going concern.

Events after the balance sheet date

No substantial events are known after the balance sheet date.

Additional information

CHF 000	31.12.2004	31.12.2003
Guarantees granted for the benefit of third parties		
Guarantees	8 000	1 742

The guarantees granted for the benefit of third parties have changed considerably from the previous year.

In the previous year the gross value of guarantees totalled CHF 11.8 million, which after deduction of the provision of CHF 10.1 million formed for this leaves a net value of CHF 1.7 million. Refinancing finally made it possible to liquidate the original guarantees. The guarantees totalling CHF 8.0 million as at 31 December 2004 are used to secure a revolving credit facility of CHF 7.5 million provided to Swissmetal – UMS Swiss Metalworks Ltd, Berne.

CHF 000	31.12.2004	31.12.2003
Assets ceded to secure own obligations		
Shares in Swissmetal – UMS Swiss Metalworks Ltd, Berne (nominal value CHF 42.0 million)	0	84 006

As part of refinancing all the securities transferred during the moratorium agreement were returned to UMS Swiss Metalworks Holding Ltd, Berne. For further details please refer to the financing agreements.

	31.12.2004	31.12.2003
Information regarding own shares	**Units**	**Units**
Own shares held	20 000	20 000

On 1 July 1996, 20,000 shares in UMS Swiss Metalworks Holding Ltd, Berne, were purchased at a price of CHF 115.00 each. A special reserve for own shares amounting to CHF 2.3 million was set up in accordance with legal requirements and charged against the accumulated profit from financial year 1995. These shares have been included in the balance sheet at the year-end price of CHF 12.15 each (previous year: 20,000 shares at a price of CHF 35.00 each). Changes in value are recognized in the profit and loss account (See also refinancing).

Under the Stock Option Plan, Group Management held 8,300 unexpired options as at 31 December 2004. After a qualifying period of three years, these give entitlement to the same number of shares at the exercise price of CHF 125.00. No new options have been issued since the capital increase.

Even after refinancing, own shares held still amount to 20,000 shares as no use was made of the right to purchase newly issued shares.

Notes to the financial statements

all figures with the exception of share prices are cited in (CHF 000)

Balance sheet

Securities (Note 01)

These primarily consists of own shares (CHF 0.2 million). There are two reasons for the reduction of CHF 1.1 million in securities in the year under review.

First, the value shown for the 20,000 own shares as at 31 December 2003 was still CHF 0.7 million, and this fell during the year under review by CHF 0.5 million as a result of the drop in share price. Second, all shares of the Memry Corporation, Delaware, which were still carried at CHF 0.6 million at the end of 2003, were sold in 2004.

Other receivables (Note 02)

Other receivables outstanding as at 31 December 2004 totalled CHF 2.5 million. These refer mainly to the purchased guarantee provisions, whose value was adjusted by 30% and discounted (See also refinancing/delivered bank guarantees).

Group accounts receivable (Note 03)

As at 31 December 2004, accounts receivable from Swissmetal – UMS Swiss Metalworks Ltd, Berne, came to CHF 11.6 million.

Property, plant and equipment (Note 04)

CHF 000	Buildings	Other assets	Total 2004	Total 2003
Acquisition values				
Position as at 1 January	0	120	**120**	**784**
Disposals	0	–120	**–120**	**–664**
Position as at 31 December	0	0	**0**	**120**
Accumulated depreciation				
Position as at 1 January	0	120	**120**	**473**
Scheduled depreciation	0	0	**0**	**0**
Disposals	0	–120	**–120**	**–353**
Position as at 31 December	0	0	**0**	**120**
Balance sheet values				
1 January	0	0	**0**	**311**
31 December	0	0	**0**	**0**

Other assets already written off refer to old office furniture which was disposed of.

CHF 000	31.12.2004	31.12.2003
Fire insurance values of property, plant and equipment		
Real estate	0	0
Other assets	0	62
Total fire insurance values	**0**	**62**

There are no further fire insurance values outstanding.

Participations (Note 05)

Country	Currency	Share capital	Purpose	Shareholding direct in %	Shareholding indirect in %
Switzerland					
Swissmetal – UMS Swiss Metalworks Ltd, Berne	CHF 000	50 000	Production plant	100	
Germany					
Swissmetal Deutschland Handelsgesellschaft mbH, Deisslingen-Lauffen	EUR 000	260	Trading company		100
Italy					
Swissmetal Italia s.r.l., Milan	EUR 000	10,4	Trading company	80	

It was decided in November 2004 to wind down the trading company Swissmetal France S.A.S., Montreuil. The subsidiary UMS Cayman Ltd, George Town, is also in the process of closing down. The two companies will be deleted from the commercial register in 2005.

The investment in UMS Cayman Ltd, George Town, was fully written off at the end of 2004 (See also depreciation). Portfolio changes (at book value) over the last two years were as follows:

CHF 000	UMS AG	SMTI	SMTF	SMHC	TOTAL
As at 31 December 2002	**104 377**	**18**	**0**	**1 504**	**105 899**
Depreciation in 2003	– 4 370				–4 370
As at 31 December 2003	**100 007**	**18**	**0**	**1 504**	**101 529**
Depreciation in 2004				–1 504	–1 504
As at 31 December 2004	**100 007**	**18**	**0**	**0**	**100 025**

UMS AG: Swissmetal – UMS Swiss Metalworks Ltd, Berne
SMTI: Swissmetal Italia s.r.l., Milan
SMTF: Swissmetal France S.A.S., Montreuil
SMHC: UMS Cayman Ltd, George Town

Short-term interest-bearing debt (Note 06)

CHF 000	31.12.2004	31.12.2003
Credit type		
Current account	0	986
Bank loans	0	37 393
Total short-term interest-bearing debt	**0**	**38 379**

The debts of CHF 38.4 million outstanding to the bank consortium as at 31 December 2003 were reduced to CHF 4.8 million at waivers (CHF 6.3 million) and by a debt-to-equity swap (CHF 27.3 million). Foreign currency gains reduced the debt by a further CHF 0.5 million. The remaining debts of CHF 4.3 million were repaid directly following refinancing in order to optimize interest expenses. The average interest rate for short-term interest-bearing debt was 5.5% in 2004. In addition, interest of CHF 0.2 million was paid for delivered bank guarantees.

Other provisions (Note 07)

The provisions take account of all identifiable risks. They fell in 2004 from CHF 12.0 million to CHF 0.6 million. The decrease of CHF 11.4 million is due mainly to the reversal of the provisions for bank guarantees, which still amounted to CHF 9.5 million as at 31 December 2003 (See also refinancing/delivered bank guarantees).

Starting in the year under review, the provisions formed earlier for Board of Directors and audit fees are recognized under "accrued expenses and deferred income".

Share capital (Note 08)

The fully paid-in share capital is divided into 6,545,556 bearer shares each with a par value of CHF 9.00 (See also refinancing/capital increase).

Profit and loss account

Income from investments (Note 09)

This item relates to the ordinary dividends of Swissmetal – UMS Swiss Metalworks Ltd, Berne. No dividend was distributed in 2004.

Operating and administrative expenses (Note 10)

Operating and administrative expenses of CHF 0.5 million refer particularly to compensation to the Board of Directors (CHF 0.3 million) and audit expenses (CHF 0.1 million).

Depreciation (Note 11)

Depreciation of CHF 1.5 million refers to the investment in UMS Cayman Ltd, George Town. Shortly before its closure the company waived its loan claim against UMS Swiss Metalworks Holding Ltd, Berne.

Financial result (Note 12)

CHF 000	2004	2003
Financial income	591	77
Financial expense	–1 957	– 4 252
Refinancing expenses	– 640	–1 739
Total	**–2 006**	**–5 914**

Financial income in 2004 includes realized exchange rate gains of CHF 0.5 million and profits of CHF 0.1 million from the sale of the Memry shares (See also refinancing/waiver by lending banks and securities).

Financial expense includes the interest expense of CHF 1.5 million incurred before the capital increase in July 2004. Besides normal interest expenses, this includes interest of CHF 0.2 million on delivered bank guarantees. The value adjustment to own shares in the year under review also resulted in a total price loss of CHF 0.5 million.

Refinancing expenses in 2004 are CHF 0.6 million, and include the prorated costs to UMS Swiss Metalworks Holding Ltd, Berne, for refinancing for the Swissmetal Group.

Extraordinary result (Note 13)

The extraordinary result amounts to CHF 14.5 million and is due to non-recurring events in connection with refinancing. As part of the capital increase, the lending banks waived CHF 6.3 million in claims. In addition, provisions of CHF 6.6 million were reversed as no longer necessary and as the delivered bank guarantees were cancelled. The waiver by UMS Cayman Ltd, George Town, of a loan claim against UMS Swiss Metalworks Holding Ltd, Berne, resulted in extraordinary income of CHF 1.6 million (See also refinancing).

Taxes (Note 14)

Taxes comprise taxes on capital.

Proposal of the Board of Directors

In accordance with the relevant legal and statutory provisions, the Board of Directors proposes to the General Meeting of Shareholders to appropriate the accumulated profit as follows:

CHF 000	
Balance brought forward	–3
Results for the year, 2004	10 430
Available earnings for appropriation by the General Meeting	10 427
Proposal of the Board of Directors for appropriation of the available earnings	
Carried forward to new account	**10 427**

On behalf of the Board of Directors
The Chairman: F. Carrard

Berne, 12 May 2005

Report of the statutory auditors

to the General Meeting of UMS Swiss Metalworks Holding Ltd, Berne

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss account, annex and notes, pages 48 to 55) of UMS Swiss Metalworks Holding Ltd, Berne, for the year ended 31 December 2004.

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 auditing standards promulgated by the Swiss profession, 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.

PricewaterhouseCoopers AG
G. Tritschler C. Heitz

Basel, 12 May 2005

Hayati Aslan, 24 years old, with Swissmetal since December 2004, wire drawing

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Arsère Nijean, 54 years old, with Swissmetal since May 1984, foundry