

Financial Report 2003

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Swissmetal Group

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UMS Swiss Metalworks Holding Ltd

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Consolidated Balance Sheet

ASSETS	Notes	31.12.2003		31.12.2002	
		CHF '000	in %	CHF '000	in %
Current assets					
Cash and cash equivalents	01	13 705	9.5	6 686	4.6
Securities	02	1 341	0.9	1 393	1.0
Trade accounts receivable	03	28 262	19.5	26 279	18.0
Other receivables	04	8 035	5.5	5 081	3.5
Stock	05	27 459	19.0	32 776	22.5
Accrued income and prepaid expenses	06	1 891	1.3	1 620	1.0
Total current assets		80 693	55.7	73 835	50.6
Fixed assets					
Property, plant, equipment and intangible assets	07	63 812	44.0	71 108	48.8
Investments	08	110	0.1	168	0.1
Loans	09	254	0.2	677	0.5
Total fixed assets		64 176	44.3	71 953	49.4
TOTAL ASSETS		144 869	100.0	145 788	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
Short term liabilities					
Interest bearing debt	10	39 413	27.2	36 033	24.7
Trade accounts payable	11	11 823	8.2	7 509	5.1
Other liabilities		2 163	1.5	1 773	1.2
Accrued expenses and deferred income		1 100	0.8	873	0.6
Provisions	12	19 198	13.2	19 784	13.6
Total short term liabilities		73 697	50.9	65 972	45.2
Long term liabilities					
Compulsory stockpile loan	13	12 000	8.3	13 000	8.9
Loans from third parties	13	3 365	2.3	4 320	3.0
Provisions	14	3 115	2.1	3 028	2.1
Total long term liabilities		18 480	12.7	20 348	14.0
Total liabilities		92 177	63.6	86 320	59.2
Minority interests	15	87	0.1	78	0.1
Shareholders' equity	16				
Share capital		85 000	58.7	85 000	58.3
Reserve for own shares		2 300	1.6	2 300	1.6
Retained earnings		-27 769	-19.2	27 580	18.9
Result for the year		-6 926	-4.8	-55 490	-38.1
Total shareholders' equity		52 605	36.3	59 390	40.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		144 869	100.0	145 788	100.0

Since 31 December 2002 the consolidated balance sheet does not include the two subsidiaries Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen.

Consolidated Profit and Loss Account

	Notes	2003		2002			
		CHF '000	in %	CHF '000	in %	CHF '000	CHF '000
		Continuing Operations		Continuing Operations		Discontinuing Operations	Total
Gross sales	17	170 596	169.2	172 379	183.6	56 864	229 225
Deduction from gross sales	18	-8 083	-8.0	-9 512	-10.1	-3 186	-12 698
Net sales		162 513	161.2	162 867	173.5	53 660	216 527
Material purchases and change in stock	19	-61 693	-61.2	-69 007	-73.5	-22 887	-91 894
Gross margin		100 820	100.0	93 860	100.0	30 773	124 633
Other operating income		512	0.5	733	0.8	273	1 006
Own work capitalized	20	347	0.3	580	0.6	0	580
Personnel expenses	21	-64 277	-63.8	-64 563	-68.8	-20 640	-85 203
Operating and administrative expenses	22	-23 915	-23.7	-22 402	-23.8	-10 927	-38 477
Restructuring expenses	23	-1 073	-1.0	-5 148	-5.5	0	0
Earnings before depreciation, interest and tax (EBDIT)		12 414	12.3	3 060	3.3	-521	2 539
Depreciation	24	-11 413	-11.3	-26 965	-28.7	-3 155	-30 120
Earnings before interest and tax (EBIT)		1 001	1.0	-23 905	-25.5	-3 676	-27 581
Financial result	25	-3 849	-3.8	-2 466	-2.6	-2 315	-4 781
Refinancing expenses	26	-1 739	-1.7	0	0.0	0	0
Non-operating result	27	-1 263	-1.3	3 944	4.2	0	3 944
Extraordinary result	28	-681	-0.7	-2 882	-3.1	-31 475	-34 357
Deconsolidation		0	0.0	8 128	8.7	0	8 128
Earnings before tax (EBT)		-6 531	-6.5	-17 181	-18.3	-37 466	-54 647
Taxes	29	-392	-0.4	-972	-1.0	133	-839
Group earnings for the year before deductions for minority interests		-6 923	-6.9	-18 153	-19.3	-37 333	-55 486
Minority interests		-3	0.0	-4	0.0	0	-4
Earnings for the year after tax (EAT)		-6 926	-6.9	-18 157	-19.3	-37 333	-55 490

In the consolidated profit and loss account for 2002, the two subsidiaries Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schweningen, are shown under the heading "Discontinuing operations". In 2002, expenses relating to "Continuing operations" which are attributable to these two companies are also shown under the heading "Discontinuing operations".

Both companies have been under new management since 2003 and are therefore excluded from the consolidated profit and loss account.

EBDIT: Earnings before depreciation, interest and tax

EBIT: Earnings before interest and tax

EBT: Earnings before tax

EAT: Earnings after tax

Consolidated Cash Flow Statement

CHF '000	2003			2002
	Continuing Operations	Continuing Operations	Discontinuing Operations	Total
Cash flow from business operations				
Earnings for the year	-6 926	-18 157	-37 333	-55 490
Depreciation on property, plant and intangible assets	11 413	26 965	3 155	30 120
Movement in provisions				
– short term	-530	4 827	12 373	17 200
– long term	65	-208	230	22
Other profit and loss items not affecting liquid funds ¹⁾	1 022	-10 445	22 602	12 157
Cash flow before movements in current assets	5 044	2 982	1 027	4 009
Movement in receivables, accrued income and prepaid expenses	-5 544	2 892	812	3 704
Movement in stock	6 776	9 690	1 612	11 302
Movement in trade accounts payable	4 295	389	-831	-442
Movement in other short term liabilities and accrued expenses/deferred income	613	-1 034	568	-466
Total cash flow from business operations (operating cash flow)	11 184	14 919	3 188	18 107
Cash flow from investment activities				
Deconsolidation of Swissmetal Busch-Jaeger GmbH and Swissmetal Deutschland Holding GmbH	0	-116	0	-116
Purchase of property, plant and intangible assets	-9 404	-8 393	-624	-9 017
Sale of property, plant and intangible assets	4 670	6 685		6 685
Total cash flow from investment activities	-4 734	-1 824	-624	-2 448
Free cash flow	6 450	13 095	2 564	15 659
Cash flow from financing activities				
Movement in amounts due to banks	1 030	-8 115	-3 691	-11 806
Dividend paid by UMS Swiss Metalworks Holding Ltd, Berne				
Movement in loans	-500	-748	16	-732
Total cash flow from financing activities	530	-8 863	-3 675	-12 538
Effect of exchange rate on liquid funds	39	17	22	39
Movement in liquid funds	7 019	4 249	-1 089	3 160
Liquid funds as at 1 January	6 686	2 321	1 205	3 526
Liquid funds as at 31 December	13 705	6 570	116	6 686

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

¹⁾ Other profit and loss items not affecting liquid funds: Continuing operations

CHF '000	2003	2002
Value adjustments on assets	-865	3 391
Deconsolidation of Swissmetal Busch-Jaeger GmbH and Swissmetal Deutschland Holding GmbH		-8 128
Net gain/loss on disposal of property, plant and equipment	552	-3 813
Exchange rate differences on valuations of bank loans	1 350	-1 830
Others	-15	-65
Total	1 022	-10 445

In the consolidated cash flow statement for 2002 the two subsidiaries Swissmetal Busch-Jaeger GmbH, Lüdenscheid,

and Swissmetal Deutschland Holding GmbH, Schwenningen, are shown under the heading "Discontinuing operations".

Notes to the Consolidated Financial Statements

ABILITY TO CONTINUE AS A GOING CONCERN AND REFINANCING

The financing agreement concluded in 2003 expires on 30 June 2004. The security lodged in connection with this agreement as at 31 December 2003 is as follows:

- First-ranking security interest in shares of Swissmetal – UMS Swiss Metalworks Ltd, Berne (nominal value CHF 42.0 million, book value CHF 84.0 million)
- First-ranking security interest in mortgage notes of Swissmetal – UMS Swiss Metalworks Ltd, Berne (nominal value CHF 56.5 million, book value CHF 62.7 million)
- Under the pooling agreement, Swissmetal has undertaken to transfer all receivables (i.e. claims and/or retrocessions) from Factors AG to the pool banks to serve as additional sureties.

In the meantime, a new financing concept has been agreed. This contains the following elements:

- As of the execution of the capital changes (see below), the existing bank consortium is selling loans totaling approx. CHF 33.53 million to Lombard Odier Darier Hentsch, Genève, for approx. CHF 27.26 million. The security will be returned to Swissmetal. A new credit line of CHF 7.5 million will be granted for four years by a number of the pool banks and secured with the subordinated receivables.
- The two banks which have guarantee claims against UMS Swiss Metalworks Holding Ltd, Berne, are each concluding an agreement with UMS Swiss Metalworks Holding Ltd, Berne, and the latter with the insolvency administrator of Swissmetal Busch-Jaeger GmbH, Lüdenscheid. Based on these agreements, UMS Swiss Metalworks Holding Ltd, Berne, is paying a specific amount to the two guarantor banks, while the remaining debt will be converted into a loan loss guarantee. The insolvency administrator is waiving any potential claims against Swissmetal. These agreements will allow Swissmetal to reduce its provisions in connection with Swissmetal Busch-Jaeger GmbH, Lüdenscheid, from the current CHF 9.5 million to a figure that reflects the potential loss from the insolvency proceedings at Swissmetal Busch-Jaeger GmbH, Lüdenscheid. It is currently assumed that 75%–90% of the outstanding claims against Swissmetal Busch-Jaeger GmbH, Lüdenscheid can be covered.

- The nominal value of the shares of Swiss Metalworks Holding Ltd, Berne, is being reduced in a two-stage capital reduction totalling CHF 77.35 million. In the first step, the nominal value will be reduced from CHF 100.00 to CHF 58.80 by offsetting against the existing loss carryovers. In a second step, the nominal value will be reduced again from CHF 58.80 to CHF 9.00.
- Following the capital reduction, a capital increase of between CHF 50.26 million and CHF 51.26 million will be performed. This will be divided into two tranches:
- Issue of 2,555,556 shares with a 3 for 1 rights offer to existing shareholders at a subscription price of CHF 9.00 per new registered share; underwritten by a banking syndicate lead-managed by Lombard Odier Darier Hentsch, Genève.
- Conversion of the loan purchased by Lombard Odier Darier Hentsch, Genève, following a waiver of claims at least CHF 5.27 million and a maximum of CHF 6.27 million into a minimum of 3,028,889 bearer shares and a maximum of 3,140,000 bearer shares with a nominal value of CHF 9.00 and subsequent acquisition by new investors.
- New shares from both tranches are issued with a pari passu clause and at the same issue price.

Completion of the proposed refinancing depends not only on the approval of the General Meeting but also on the fulfillment of additional conditions and requires that all elements of the financing concept be in place as described. Thus the entire refinancing may be placed in jeopardy if just one of these conditions fails to be met. The Board of Directors believes the terms of the agreement, which to some extent lie outside the Company's control, can be met.

Based on these new agreements and provided the Annual General Meeting approves the proposed capital reduction and capital increase, the Board of Directors firmly believes that the continuing operations are secure and that the requirements for accounting on a going-concern basis are therefore met.

SCOPE OF CONSOLIDATION

The consolidation takes into account all companies in which UMS Swiss Metalworks Holding Ltd, Berne, holds a share of 50% or more.

The scope of consolidation as at 31 December 2003 includes the following companies:

- UMS Swiss Metalworks Holding Ltd, Berne, Switzerland
- Swissmetal – UMS Swiss Metalworks Ltd, Berne, Switzerland, including the Boillat and Dornach plants and the Uetendorf branch (real estate) (participating interest 100%)
- Swissmetal Deutschland Handelsgesellschaft mbH, Schwenningen, Germany (participating interest 100%)
- Swissmetal France S.A.S. Montreuil, France (participating interest 100%)
- Swissmetal Italia s.r.l., Milan, Italy (participating interest 80%)
- UMS Cayman Ltd, George Town, Cayman Islands (participating interest 100%)

No changes took place during the year under review.

The following changes in the scope of consolidation occurred as of 31 December 2002:

The companies Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen, were deconsolidated with effect from 31 December 2002. Insolvency petitions were submitted in respect of Swissmetal Busch-Jaeger GmbH, Lüdenscheid, on 7 February 2003, and in respect of Swissmetal Deutschland Holding GmbH, Schwenningen, on 26 February 2003.

This had the following impact with regard to the prior year:

- Balance sheet: deconsolidation of both companies with effect from 31 December 2002
- Profit and loss account: consolidation of both companies under the heading "Discontinuing operations" for the last time
- Cash flow statement: consolidation of both companies under the heading "Discontinuing operations" for the last time

Due to the change of management responsibility, both companies were excluded from the scope of consolidation. Insolvency proceedings are still in progress at these companies.

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.

Equity consolidation has been applied in accordance with the **purchase method** (revaluation method). By employing the method of **full consolidation**, 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 stocks, 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 required value adjustments).

The assets and liabilities of the plant in Uetendorf, which was closed down in 1993, were stated in the 2002 balance sheet at their liquidation values, adjusted for extraordinary depreciation. The real estate assets were disposed of in the year under review. Deferred taxes on untaxed reserves are calculated and deferred at future anticipated tax rates. Deferred taxes on loss carry-forwards were not capitalized.

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**. In the case of own makes, the value added is assessed on the basis of the marginal costing method due to the complexity of the product.

Provisions

Provisions were created for all foreseeable risks.

Rates for foreign currency translation

CHF	2003		2002	
	Balance sheet	P&L account	Balance sheet	P&L account
1EUR	1.5600	1.5210	1.4550	1.4670
1USD	1.2420	1.3450	1.3880	1.5560
1GBP	2.2090	2.1980	2.2240	2.3340

Foreign currencies

In the individual Group companies, expense 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 profits and losses are reflected in the profit and loss account. All foreign exchange forward contracts were liquidated in the period from February to March 2003. Therefore, all positions were stated at year-end prices as at the balance sheet date in both years.

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 2003 and 31 December 2002 respectively. The profit and loss accounts of foreign Group companies were translated at average rates for the year. The conversion differences have been reported under shareholders' equity as foreign currency translation differences and do not affect the profit and loss account.

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 1.2 million (previous year CHF 1.3 million) were not capitalized but were entered in the profit and loss account. Staff costs of CHF 1.1 million (previous year CHF 1.2 million) constitute the largest portion of these expenses.

Provisions for bad and doubtful debt

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 is offset directly against trade accounts receivable. This provision amounted to CHF 2.8 million as at 31 December 2003 while the figure for the previous year is CHF 2.4 million.

Property, plant, equipment and intangibles**Principles of capitalization**

Property, plant, equipment and intangibles are capitalized at up to the cost of acquisition or production and 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

	in %
Land	0.0
Buildings, solid structure – industrial buildings	4.0
Buildings, solid structure – office buildings	2.5
Buildings, lightweight – industrial buildings	10.0
Buildings, lightweight – office buildings	5.0
Residential buildings	2.0
Infrastructure	3.0

Technical facilities, machines, plant and office furnishings

	in %
Fabrication plant and machinery	10.0
Plant tools and spare parts	6.6 – 10.0
Major facilities (presses, casting systems)	6.6
Major facilities – major value-enhancing overhauls	min. 20.0
Plant facilities	10.0
Furnishings	20.0
Computer facilities	20.0 – 33.0
Vehicles	20.0
Intangible assets	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 and 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 pension commitments are regularly reassessed by pension fund experts.

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's documents and the applicable benefit regulations. The Swissmetal Group's pension funds are defined-contribution funds in accordance with Swiss GAAP FER 16. The fluctuation reserves created or yet to be created as a contingency in the annual pension scheme accounts to compensate for deficient cover in the event of liquidations are stated according to Swiss GAAP FER 16. These reserves serve to counterbalance stock exchange fluctuations.

The Group companies Swissmetal Deutschland Handelsgesellschaft mbH, Schwenningen, 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 increased year-on-year by CHF 7.0 million from CHF 6.7 million to CHF 13.7 million. Of those funds, CHF 4.7 million are held in a blocked account and are therefore not freely available. Under the financing agreement with the consortium of Swissmetal lending banks, these blocked funds are to be paid directly to the banks.

Securities (Note 02)

These essentially comprise own shares and shares in Memry Corporation Delaware. The reduction in the value of the securities is primarily due to a fall in the share price of Memry Corporation (CHF 0.1 million).

	31.12.2003	31.12.2002
	Number	Number
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 retained earnings from the year 1995. The securities include 20,000 own shares at the year-end price of CHF 35.00 each (previous year: 20,000 shares at a price of CHF 33.50 each). Changes in value are recognized in the profit and loss account.

No further stock options were granted or cancelled under the Stock Option Plan in the year under review. Senior executives, therefore, hold 10,300 options as at 31 December 2003. After a qualifying period of three years, these give entitlement to the same number of shares at the exercise price of CHF 125.00.

Trade accounts receivable (Note 03)

The increase in trade accounts receivable by CHF 2.0 million compared with the previous year's balance (26.3 million) is attributable to slower customer payments in general and a higher proportion of export receivables associated with longer payment terms.

A large proportion of trade accounts receivable was transferred to a factoring company under the financing agreement. As at 31 December 2003, the receivables ceded amounted to CHF 21.0 million.

Other receivables (Note 04)

Other receivables in the year under review amount to CHF 8.0 million and exceed those of the previous year by CHF 3.0 million. The largest proportion (CHF 2.7 million) of these receivables relates to the "Fondation en faveur du personnel de l'usine de Boillat". Furthermore, factoring was introduced in June 2003. This results in receivables from the factoring company of CHF 2.5 million. The remaining items are mainly receivables from value-added-tax credits (CHF 1.6 million) and the short term portion of loans in connection with disposal of a plant at the Ueten-dorf branch no longer required for operations (CHF 0.5 million).

Stock (Note 05)

The following is a breakdown of stock:

CHF '000	31.12.2003	31.12.2002
Crude metals	5 993	9 165
Own makes – metal content	12 775	14 851
Own makes – value added	7 008	7 256
Own makes at trading companies	1 683	1 504
Total stock	27 459	32 776

The CHF 5.3 million decrease from the previous year stems mainly from improved stock management. The overall strategy pursued was to reduce levels of crude metals and semi-finished goods while slightly increasing levels of finished goods to enable faster response to customers' short-term requests. Stock was reduced by approx. 2,800 tons in the year under review.

The **market value of stocks** as at 31 December 2003 amounted to CHF 48.4 million and is thus CHF 5.1 million higher than the previous year (CHF 43.3 million). This mainly reflects movement in the metal prices, which increased relatively steeply towards the end of the year, whereas the total amount in tons declined.

Accrued income and prepaid expenses (Note 06)

Accrued income and prepaid expenses increased slightly by CHF 0.3 million compared with the previous year (CHF 1.6 million). This item primarily comprises an energy refund of CHF 1.1 million plus prepaid refinancing costs of CHF 0.7 million.

Tangible and intangible assets schedule (Note 07)

CHF '000	Land	Buildings	Machines & technical equipment	Other Facilities	Facilities under construction	Intangible Assets	Total 2003	Total 2002
Acquisition values								
Position as at 1 January	4 685	91 322	197 971	10 460	7 161	2 872	314 471	381 927
Additions				37	9 359	8	9 404	9 017
Disposals	-2 201	-18 490	-479	-289	-92		-21 551	-8 368
Transfer of facilities under construction		505	12 334	390	-13 229			
Change in the scope of consolidation								-66 869
Foreign currency translation				14		4	18	-1 236
Position as at 31 December	2 484	73 337	209 826	10 612	3 199	2 884	302 342	314 471
Accumulated depreciation								
Position as at 1 January	3	73 740	157 715	9 284		2 620	243 363	267 878
Scheduled and unscheduled depreciation		1 320	9 401	519		173	11 413	30 120
Disposals		-15 581	-431	-245			-16 257	-5 505
Change in scope of consolidation								-48 262
Foreign currency translation				12		0	12	-868
Position as at 31 December	3	59 479	166 685	9 570		2 793	238 530	243 363
Balance sheet values								
as at 1 January	4 682	17 582	40 256	1 176	7 161	251	71 108	114 049
as at 31 December	2 481	13 858	43 141	1 042	3 199	91	63 812	71 108
Fire insurance values								
as at 31 December		217 385	306 000	4 350			527 735	545 441

The "Buildings" asset category as at 31 December 2003 includes buildings not required for operating purposes with a book value of CHF 0.2 million. No financial lease items were newly capitalized in the year under review.

The decrease in value of buildings and land is due to the disposal of property not required for operational purposes at the Uetendorf branch and an apartment in Milan.

Investments (Note 08)

Investments include the Gibelinpark housing association, Solothurn, and R. U. Calor S.A., a power utility in Reconviilier. These minor holdings are shown in the balance sheet at their acquisition cost less a necessary value adjustment of CHF 0.4 million in total. Of this amount, CHF 0.1 million was an incremental adjustment in the year under review.

Loans (Note 09)

The reduction in loans by CHF 0.4 million (CHF 0.7 million in previous year) is due to reclassification of the short term component of the loans, as these are now due within one year.

Short term interest bearing debt (Note 10)

CHF '000	31.12.2003	31.12.2002
Credit type		
Current account	1 020	990
Bank loans	38 393	35 043
Total short term interest bearing debt	39 413	36 033

Bank loans have increased by CHF 3.4 million. This increase was partly due to the foreign currency impact (CHF 1.4 million) of the bank loans denominated in euros, as the euro appreciated against the Swiss franc during the year under review. The increase also reflects interest (CHF 1.0 million) and the short term component of the compulsory stockpile loan (CHF 1.0 million).

Bank loans amounting to CHF 38.4 million are secured until 30 June 2004. For further details, please refer to the note on "Ability to continue as a going concern and refinancing". The average interest rate in financial year 2003 was 5.5%. Additional expenses of CHF 1.2 million, i.e. 2.5%, were incurred due to the standstill under the moratorium agreement (see also Note 26).

Trade accounts payable (Note 11)

In relation to the preceding financial year (CHF 7.5 million), short term trade accounts payable rose by CHF 4.3 million to CHF 11.8 million as a result of the cutoff date effect.

Short term provisions (Note 12)

CHF '000	31.12.2003	31.12.2002
Guarantees	10 100	11 000
Restructuring	3 915	5 082
Foreign currency risks	2 298	1 200
Holiday and overtime entitlement	440	675
Auditing and consultancy services	664	507
Taxes	18	120
Other short term provisions	1 763	1 200
Total short term provisions	19 198	19 784

For UMS Swiss Metalworks Holding Ltd, Berne, provisions totalling CHF 11.0 million (of which CHF 10.4 million relates to the bank guarantees) had to be recognized to cover guarantee claims that arose in financial year 2002 due to the insolvency proceedings at Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen. Due to payments of CHF 0.9 million in total, the provisions for bank guarantees were correspondingly reduced to CHF 9.5 million in financial year 2003. These bank guarantees are subject to regular interest payments. For further details, please refer to the note on "Ability to continue as a going concern and refinancing".

In financial year 2003, CHF 2.4 million were allocated to restructuring provisions. The provisions were set aside mainly for strategic (CHF 1.4 million) and legal (CHF 0.5 million) consultancy services. A further CHF 1.2 million provision relates to an option premium under the moratorium agreement with the bank consortium.

A CHF 2.3 million provision is set aside for unrealized foreign currency losses from outstanding orders in foreign currency (to account for any differences between customer and supplier orders), representing an addition of CHF 1.1 million.

Other short term provisions include CHF 0.6 million for additional claims arising from the winding-up of the group of companies in Germany.

Compulsory stockpile loans and third party loans (Note 13)

	Currency	Average interest rate in 2003	31.12.2003	31.12.2002
Compulsory stockpile loan	CHF '000	0.83%	12 000	13 000
Loans from third parties	CHF '000	2.70%	3 365	4 320
Total long term interest bearing debt			15 365	17 320
Of which repayable in 1 to 5 years			15 365	17 320

Third party loans of CHF 1.0 million were repaid in the year under review. Repayments of compulsory stockpile loans totalling CHF 1.0 million in each of the years from 2004 to 2006 and CHF 3.33 million for each of the subsequent three years have been agreed with the Swiss Confederation.

Long term provisions (Note 14)

CHF '000	31.12.2003	31.12.2002
Deferred taxes	2 776	2 722
Pensions ¹⁾	339	306
Total long term provisions	3 115	3 028

¹⁾ The provisions for pensions refer exclusively to companies where no independent staff pension schemes are provided (Swissmetal Deutschland Handelsgesellschaft mbH, Schwenningen, and Swissmetal Italia s.r.l., Milan).

Minority interests (Note 15)

The minority shareholders' interests relate to Swissmetal Italia s.r.l., Milan, and reflect their proportion of equity.

Movement in shareholders' equity (Note 16)

CHF '000	Share capital	Reserve for own shares	Retained earnings	Earnings for the year	Total shareholders' equity
As at 31.12.2000	85 000	2 300	17 208	13 672	118 180
Posting of 2000 earnings			13 672	-13 672	0
Dividend distribution			-4 150		-4 150
Foreign currency translation differences			-517		-517
Earnings for the year 2001				1 516	1 516
As at 31.12.2001	85 000	2 300	26 213	1 516	115 029
Posting of 2001 earnings			1 516	-1 516	0
Dividend distribution			0		0
Foreign currency translation differences			-149		-149
Earnings for the year 2002				-55 490	-55 490
As at 31.12.2002	85 000	2 300	27 580	-55 490	59 390
Posting of 2002 earnings			-55 490	55 490	0
Dividend distribution			0		0
Foreign currency translation differences			141		141
Earnings for the year 2003				-6 926	-6 926
As at 31.12.2003	85 000	2 300	-27 769	-6 926	52 605

The retained earnings contain a cumulative total of CHF -2.5 million in foreign currency translation differences.

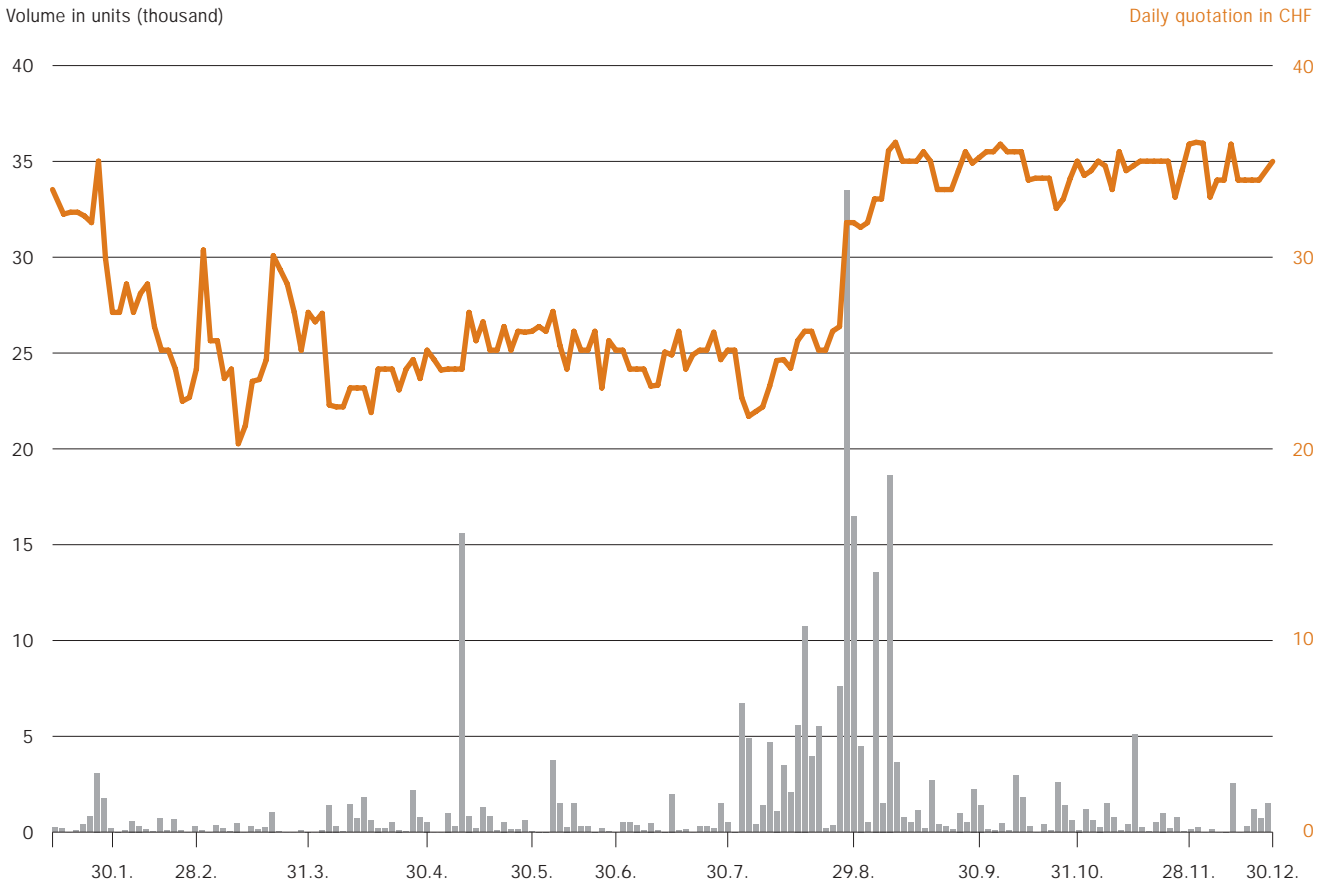
MAJOR PARTICIPATING INTERESTS

The following shareholders held more than 5% of the capital of the Swissmetal Group as at the balance sheet date:

in %	31.12.2003	31.12.2002
UBS AG	15.5	15.5
European Renaissance Fund Ltd	12.0	12.0
Relag AG	12.0	> 10.0
OZ Bankers		> 5.0

In 2003, UMS Swiss Metalworks Holding Ltd, Berne, was notified that the shareholding of OZ Bankers fell below 5% of total shares.

PERFORMANCE OF SWISSMETAL SHARES ON THE SWISS EXCHANGE



The graph shows prices and daily volume in 2003 on the Swiss Exchange in Zurich, where the stock has been traded under UMS Swiss Metalworks Holding Ltd (security number 257 226) since 2 August 1996.

HISTORICAL PRICE DATA PER SHARE

CHF	2003	2002	2001	2000	1999
High	36.00	90.00	140.00	132.00	138.00
Low	20.05	33.50	80.00	109.00	115.00
Price as at 31 December	35.00	33.50	90.00	128.50	119.00
Price for tax purposes as at 31 December	35.00	33.50	85.00	128.25	123.75

SHARE PERFORMANCE INDICATORS

		2003	2002	2001	2000	1999
Number of shares	850,000 shares					
Operational cash flow per share in CHF		13	21	26	15	26
EBIT per share in CHF		1	-32	11	30	4
Earnings per share in CHF		-8	-65	2	16	2
Payout ratio as % of earnings		0	0	0	30.4	320.8
Gross dividend per share in CHF		0	0	0	5	5
Shareholders' equity in CHF '000		52 605	59 390	115 029	118 180	109 536
Return on equity in % (applicable date)		(negative)	(negative)	1.3	11.6	1.2
Market capitalization in CHF '000	High	30 600	76 500	119 000	112 200	117 300
	Low	17 043	28 475	68 000	92 650	97 750
Dividend yield per share in %	On annual low	0	0	0	4.6	4.3
	On annual high	0	0	0	3.8	3.6

The indicators for the years 1999 to 2002 take into account the subsidiaries Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen.

CONTINGENT LIABILITIES

CHF '000		31.12.2003	31.12.2002
Securities granted for the benefit of third parties			
Securities/guarantees		2 930	1 737
Restriction of title for own liabilities			
Carrying amount of the assets used as security		21 012	15 733
Secured credit facility		13 000	13 000
Amount of secured credit facility used		13 000	13 000

The net value of securities and guarantees is CHF 2.9 million (gross value CHF 13.0 million less the provision of CHF 10.1 million set aside for this purpose). The increase of CHF 1.2 million is due to an additional adjustment on the outstanding

amount from the previous year (gross value CHF 12.7 million less the provision of CHF 11.0 million set aside for this purpose) (See Note 12). For further details, please refer to the note on "Ability to continue as a going concern and refinancing".

FINANCIAL COMMITMENTS FROM LEASING

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

Leased assets	Maturity				
	2004	2005	2006	2007	later
CHF '000					
Vehicles	157	157	148	127	45
Total	157	157	148	127	45

OFF-BALANCE SHEET TRANSACTIONS

CHF '000	Contract value	Valuation at rate applicable on reporting date	Positive (+)/negative (-) replacement value
Purchase copper scrap	518	586	68
Total replacement value			68

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.

All foreign exchange forward transactions were liquidated in the period from February to March 2003. No foreign exchange forward transactions were concluded thereafter. A CHF 2.3 million provision is set aside for unrealized foreign currency losses from outstanding orders in foreign currency (to account for any differences between customer and supplier orders), representing an addition of CHF 1.1 million.

ENVIRONMENT

Risks to the environment cannot be excluded or quantified. The company received an environment certificate for active environment management in 2003.

In 2003, Ernst & Young AG, Zurich, conducted an extensive evaluation regarding most of Swissmetal Group's operational and non-operational properties in Dornach (Canton of Solothurn) and Reconwiller (Canton of Berne). The environmental risks were assessed by SIUM Engineering AG, Thun. According to the risk assessment both sites are considered as polluted but not as contaminated in legal terms (Altlasten), therefore no remediation is needed for both sites, except in case of a contemplated change in their use.

By 2005, the Swissmetal Group has to conduct a further in-depth analysis of all Swissmetal sites in the Canton of Solothurn in close cooperation with the respective environment departments of the Canton of Solothurn and the neighbouring Canton of Basel-Land. This analysis is already partly under way. In the Canton of Berne, a detailed analysis of the environment risks for the Swissmetal Group will have to be conducted as well. It is expected that this analysis will start in 2005 in close cooperation with the respective environmental department of the Canton of Berne. Based on the current knowledge and assessment, the Group has not established any provisions for potential environment liabilities.

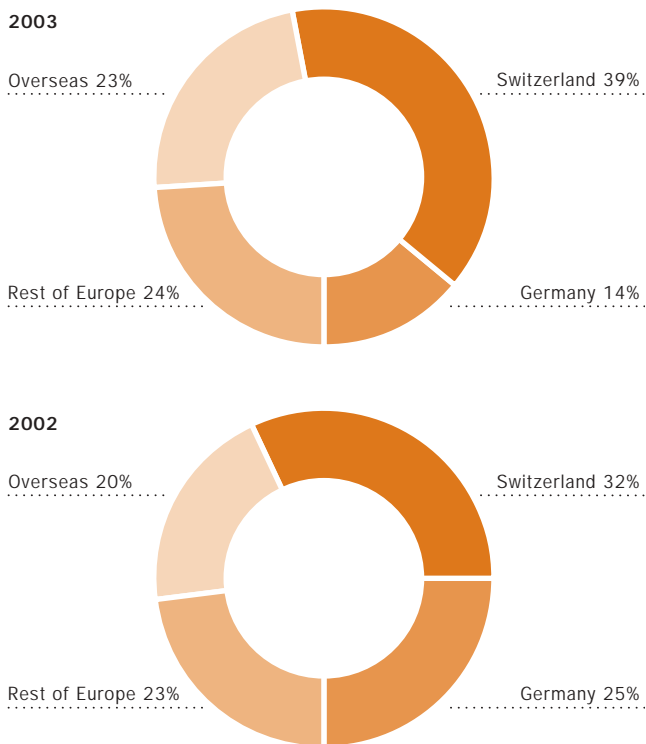
Notes to the Consolidated Profit and Loss Account

(The notes refer exclusively to continuing operations.)

Gross sales (Note 17)

Gross sales amount to CHF 170.6 million, i.e. 1% (CHF 1.8 million) below the figure for the previous year. The main reason for the decline is the lower price of metal. Gross added value sales, i.e. gross sales less cost of metal at standard metal prices, came to CHF 103.5 million in 2003 compared to CHF 99.7 million in 2002, representing an increase of 4% or CHF 3.8 million.

Sales by region



Deduction from gross sales (Note 18)

Deduction as a percentage of gross sales fell by 0.8% to 4.7%. This fall is due primarily to a reduction in provisions.

Material purchases and changes in stock (Note 19)

Material purchases amounted to CHF 61.7 million, i.e. CHF 7.3 million below the figure for the previous year. This reflects the predominantly low price of metal in 2003, which lowered costs (and gross sales proceeds) in comparison with the previous year.

Own work capitalized (Note 20)

Own work capitalized refers to output by own staff for investment in plant and equipment.

Personnel expenses (Note 21)

Personnel expenses fell by CHF 0.3 million in the year under review.

As part of a comprehensive programme of restructuring measures, the number of employees was reduced from 818 full-time units as at 31 December 2002 to 733 full-time units as at 31 December 2003. This corresponds to a reduction of 10% in the year under review.

Swissmetal was, however, able to achieve a continuous reduction in a large portion of its personnel costs, which in 2002 had been reduced on a short term basis (CHF 5.6 million) through consistent use of short-time working. Only CHF 1.0 million was saved through short-time working in the year under review.

Average headcount is broken down as follows:

	2003			2002	
	Switzerland	Germany	Italy	Total	
Full-time units					
Production	503			503	576
Sales	38	2	4	44	45
Innovation and industrialization	155			155	152
Administration	51	1	1	53	64
Total	747	3	5	755	837

Personnel expenses relate to all staff-related costs including employer contributions to staff pension schemes.

Pension schemes

According to the relevant financial statements for the previous years, the assets and financial situation on the balance sheet

dates, broken down by pension schemes with excesses and shortfalls, was as follows:

CHF '000	31.12.2003	31.12.2002
Basis: final accounts of pension schemes	(31.12.2002)	(31.12.2001)
Pension schemes with surpluses		
Pension scheme assets at market values	13 357	16 868
Pension commitment	-4 726	-5 113
Total surplus	8 631	11 755
Pension schemes with shortfalls		
Pension scheme assets at market values	181 155	210 589
Pension commitment	-220 322	-225 733
Total shortfall	-39 167	-15 144

The shortfall as at 31 December 2003 based on the 2002 annual accounts of the pension schemes contains fluctuation reserves of CHF 30.8 million.

The expenses for pension commitments incorporated in the consolidated financial statement correspond to the employer contributions of CHF 2.6 million. Following the transfer of part of the employer contributions, amounting to CHF 1.1 million,

to the "Fondation en faveur du Personnel de l'usine de Boillat", Reconvilier, the expenses for pension commitments in the previous year amounted to CHF 1.8 million.

The surplus, based on the annual accounts as at 31 December 2002, includes employer contribution reserves of CHF 2.2 million (unchanged from the previous year).

Operating and administrative expenses (Note 22)

CHF '000	2003	2002
Energy	6 683	6 186
Operating supplies and work provided by third parties	10 789	10 204
Administrative services provided by third parties	5 319	4 813
Other expenses	1 124	1 199
Total operating and administrative expenses	23 915	22 402

Energy expenses rose by CHF 0.5 million in absolute terms due to the higher production volume; relative to the gross margin, however, they remained stable (6.6%).

Operating supplies and work provided by third parties also increased by CHF 0.6 million in absolute terms and changed only slightly relative to the gross margin (10.7% in 2003 versus 10.9% in 2002).

Restructuring expenses (Note 23)

The restructuring expenses include, in particular, consultancy expenses related to the Group turnaround.

Depreciation (Note 24)

Depreciation decreased by 58% year-on-year from CHF 27.0 million to CHF 11.4 million. All depreciation in the year under review was scheduled, whereas in 2002 CHF 13.2 million was attributable to scheduled depreciation and CHF 13.8 million was attributable to unscheduled depreciation.

In light of the continuing difficult result situation the value in use of plant and equipment required for operations was reviewed at the end of 2002. The calculation revealed the need for value impairment on machinery and technical facilities. A value adjustment of CHF 12.7 million for unscheduled depreciation was thus booked to the accounts as at 31 December 2002.

In financial year 2003, no additional requirements for impairments or any significant improvement in the underlying factors were seen in comparison to the previous year, so the adjustment made in 2002 remains in place.

Financial result (Note 25)

CHF '000	2003	2002
Financial income	255	236
Financial expense	-3 277	-2 243
Exchange rate differences	-827	-459
Financial result	-3 849	-2 466

The financial expense comprises interest payments and price changes affecting the shares of Memry Corporation.

Refinancing expense (Note 26)

This includes the option premium paid to the bank consortium and the fee paid to the investment bank consulted by the Swissmetal Group.

Non-operating result (Note 27)

CHF '000	2003	2002
Non-operating income	706	4 882
Non-operating expenses	-1 969	-938
Non-operating result	-1 263	3 944

The non-operating income comprises rental income from the Uetendorf branch of CHF 0.5 million (previous year: CHF 0.8 million) and book gains from the sale of fixed assets amounting to CHF 0.1 million (previous year: CHF 4.1 million).

The non-operating expenses consist mainly of book losses (CHF 0.6 million), maintenance costs (CHF 0.6 million) relating to the Uetendorf facility, and the winding-up of the companies in Germany (CHF 0.6 million).

Extraordinary result (Note 28)

The extraordinary expense of CHF 0.7 million includes payments to the former subsidiary Swissmetal Busch-Jaeger, Lüdenscheid, which were made shortly before the insolvency proceedings were initiated.

Taxes (Note 29)

In the year under review, expenses of CHF 0.3 million were incurred for capital taxes and CHF 0.1 million for deferred taxes. An income tax liability of CHF 0.04 million is outstanding in France and Italy.

Tax loss carryforwards amounting to CHF 24.9 million can be claimed within seven years. However, no active tax deferrals were stated in the balance sheet.

TRANSACTIONS WITH RELATED PARTIES

No substantial transactions were effected with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

Please refer to the note on "Ability to continue as a going concern and refinancing".

Report of the Group Auditors

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

As auditors to the group, we have audited the consolidated financial statements (balance sheet, profit and loss account, cash flow statement and notes/page 4 to 22) of UMS Swiss Metalworks Ltd, Berne (Swissmetal Group), for the year ended 31 December 2003.

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.

Without qualifying our audit opinion, we refer to the note "Ability to continue as a going concern and refinancing", according to which the financial situation of Swissmetal group requires a refinancing. The realization of the refinancing depends on various circumstances, in particular on the approval of the shareholders. These circumstances indicate the existence of a material uncertainty, which may cast significant doubt about Swissmetal Group's ability to continue as a going concern.

Basel, 4 June 2004

PricewaterhouseCoopers AG
D. Suter C. Heitz

Balance Sheet

ASSETS	Notes	31.12.2003		31.12.2002	
		CHF	in %	CHF	in %
Current assets					
Cash and cash equivalents		41	0.0	152	0.1
Securities	01	1 341	1.3	1 393	1.3
Other accounts receivable		5	0.0	4	0.0
Group accounts receivable	02	830	0.8	0	0.0
Accrued income and prepaid expenses	03	708	0.7	81	0.1
Total current assets		2 925	2.8	1 630	1.5
Fixed assets					
Property, plant and equipment	04	0	0.0	311	0.3
Investments	05	101 529	96.9	105 899	97.9
Loans to Group companies		355	0.3	331	0.3
Total fixed assets		101 884	97.2	106 541	98.5
TOTAL ASSETS		104 809	100.0	108 171	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
Short term liabilities					
Interest bearing debt	06	38 379	36.6	36 033	33.3
Other liabilities		52	0.0	12	0.0
Group accounts payable		1 599	1.6	1 504	1.4
Accrued expenses and deferred income		535	0.5	196	0.2
Provisions	07	11 967	11.4	11 637	10.8
Total short term liabilities		52 532	50.1	49 382	45.7
Total liabilities		52 532	50.1	49 382	45.7
Shareholders' equity					
Share capital	08	85 000	81.1	85 000	78.5
Legal reserves		4 200	4.0	4 200	3.9
Reserves for own shares		2 300	2.2	2 300	2.1
Accumulated loss		-39 223	-37.4	-32 711	-30.2
– Balance brought forward		-32 711	-31.2	32 525	30.1
– Result for the year		-6 512	-6.2	-65 236	-60.3
Total shareholders' equity		52 277	49.9	58 789	54.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		104 809	100.0	108 171	100.0

Profit and Loss Account

		2003	2002
	Notes	CHF '000	CHF '000
Income from investments	09	5 000	6 000
Total operating income		5 000	6 000
Operating and administrative expenses		-585	-558
Earnings before depreciation, interest and tax (EBDIT)		4 415	5 442
Depreciation	10	-4 370	-57 400
Earnings before interest and tax (EBIT)		45	-51 958
Financial result	11	-5 914	56
Non-operating result	12	41	-4
Extraordinary expenses	13	-697	-13 098
Earnings before tax (EBT)		-6 525	-65 004
Taxes	14	13	-232
Earnings for the year after tax (EAT)		-6 512	-65 236

EBDIT: Earnings before depreciation, interest and tax

EBIT: Earnings before interest and tax

EBT: Earnings before tax

EAT: Earnings after tax

Notes to the Financial Statements

ABILITY TO CONTINUE AS A GOING CONCERN AND REFINANCING

The financing agreement concluded in 2003 expires on 30 June 2004. The security lodged in connection with this agreement as at 31 December 2003 is as follows:

- First-ranking security interest in shares of Swissmetal – UMS Swiss Metalworks Ltd, Berne (nominal value CHF 42.0 million, book value CHF 84.0 million)
- First-ranking security interest in mortgage notes of Swissmetal – UMS Swiss Metalworks Ltd, Berne (nominal value CHF 56.5 million, book value CHF 62.7 million)
- Under the pooling agreement, Swissmetal has undertaken to transfer all receivables (i.e. claims and/or retrocessions) from Factors AG to the pool banks to serve as additional sureties.

In the meantime, a new financing concept has been agreed. This contains the following elements:

- As of the execution of the capital changes (see below), the existing bank consortium is selling loans totaling approx. CHF 33.53 million to Lombard Odier Darier Hentsch, Genève, for approx. CHF 27.26 million. The security will be returned to Swissmetal. A new credit line of CHF 7.5 million will be granted for four years by a number of the pool banks and secured with the subordinated receivables.
- The two banks which have guarantee claims against UMS Swiss Metalworks Holding Ltd, Berne, are each concluding an agreement with UMS Swiss Metalworks Holding Ltd, Berne, and the latter with the insolvency administrator of Swissmetal Busch-Jaeger GmbH, Lüdenscheid. Based on these agreements, UMS Swiss Metalworks Holding Ltd, Berne, is paying a specific amount to the two guarantor banks, while the remaining debt will be converted into a loan loss guarantee. The insolvency administrator is waiving any potential claims against Swissmetal. These agreements will allow Swissmetal to reduce its provisions in connection with Swissmetal Busch-Jaeger GmbH, Lüdenscheid, from the current CHF 9.5 million to a figure that reflects the potential loss from the insolvency proceedings at Swissmetal Busch-Jaeger GmbH, Lüdenscheid. It is currently assumed that 75%–90% of the outstanding claims against Swissmetal Busch-Jaeger GmbH, Lüdenscheid can be covered.

- The nominal value of the shares of Swiss Metalworks Holding Ltd, Berne, is being reduced in a two-stage capital reduction totalling CHF 77.35 million. In the first step, the nominal value will be reduced from CHF 100.00 to CHF 58.80 by offsetting against the existing loss carryovers. In a second step, the nominal value will be reduced again from CHF 58.80 to CHF 9.00.
- Following the capital reduction, a capital increase of between CHF 50.26 million and CHF 51.26 million will be performed. This will be divided into two tranches:
- Issue of 2,555,556 shares with a 3 for 1 rights offer to existing shareholders at a subscription price of CHF 9.00 per new registered share; underwritten by a banking syndicate lead-managed by Lombard Odier Darier Hentsch, Genève.
- Conversion of the loan purchased by Lombard Odier Darier Hentsch, Genève, following a waiver of claims at least CHF 5.27 million and a maximum of CHF 6.27 million into a minimum of 3,028,889 bearer shares and a maximum of 3,140,000 bearer shares with a nominal value of CHF 9.00 and subsequent acquisition by new investors.
- New shares from both tranches are issued with a pari passu clause and at the same issue price.

Completion of the proposed refinancing depends not only on the approval of the General Meeting but also on the fulfillment of additional conditions and requires that all elements of the financing concept be in place as described. Thus the entire refinancing may be placed in jeopardy if just one of these conditions fails to be met. The Board of Directors believes the terms of the agreement, which to some extent lie outside the Company's control, can be met.

Based on these new agreements and provided the Annual General Meeting approves the proposed capital reduction and capital increase, the Board of Directors firmly believes that the continuing operations are secure and that the requirements for accounting on a going-concern basis are therefore met.

EVENTS AFTER THE BALANCE SHEET DATE

Please refer to the note on "Ability to continue as a going concern and refinancing".

ADDITIONAL INFORMATION

CHF '000	31.12.2003	31.12.2002
Securities granted for the benefit of third parties		
Securities/guarantees	1 742	8 200

The net value of securities and guarantees is CHF 1.7 million. The gross value amounts to CHF 11.8 million less the provision of CHF 10.1 million made for this purpose, versus the CHF 19.2 million (provision CHF 11.0 million) in the previous year.

The net decrease of CHF 6.5 million is due to the elimination of secured credits (CHF 8.2 million) and risk-related adjustments to existing security obligations (CHF 1.7 million) (euro influence plus compliance with maximum amount).

CHF '000	31.12.2003	31.12.2002
Assets ceded to secure own obligations		
Shares in Swissmetal – UMS Swiss Metalworks Ltd, Berne (nominal value CHF 42.0 million)	84 006	87 676

For further details, please refer to the financing agreements.

CHF '000	31.12.2003	31.12.2002
Fire insurance for property, plant and equipment		
Real estate	0	468
Other facilities	62	62
Total fire insurance value	62	530

CHF '000	31.12.2003	31.12.2002
Information regarding own shares		
Own shares held	20 000	20 000

On 1 July 1996, 20,000 shares in UMS Swiss Metalworks Holding Ltd 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 retained earnings from financial year 1995. These shares have been included in the balance sheet at the year-end price of CHF 35.00 each (previous year: 20,000 shares at a price of CHF 33.50 each). Changes in value are recognized in the profit and loss account.

A total of 10,300 options from the Stock Option Plan have thus far been distributed to senior executives. After a qualifying period of three years, these give entitlement to the same number of shares at the exercise price of CHF 125.00.

Notes to the Financial Statements

(All figures with the exception of share prices are cited in CHF '000.)

BALANCE SHEET

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Securities (Note 01)

Essentially, these comprise own shares and shares in Memry Corporation Delaware. The reduction in value is primarily related to a fall in the share price of Memry Corporation (CHF 0.1 million).

Group accounts receivable (Note 02)

As at 31 December 2003, accounts receivable from Swissmetal – UMS Swiss Metalworks Ltd, Berne, came to CHF 0.8 million.

Accrued income and prepaid expenses (Note 03)

Prepaid expenses of CHF 0.7 million are related to the consulting services in connection with the refinancing.

Property, plant and equipment (Note 04)

CHF '000	Buildings	Other facilities	Total 2003	Total 2002
Acquisition values				
As at 1 January	664	120	784	784
Disposals	-664	0	-664	0
As at 31 December	0	120	120	784
Accumulated depreciation				
As at 1 January	353	120	473	423
Scheduled depreciation	0	0	0	50
Disposals	-353	0	-353	0
As at 31 December	0	120	120	473
Balance sheet values				
As at 1 January	311	0	311	361
As at 31 December	0	0	0	311

The decline in property, plant and equipment of CHF 0.3 million is a result of the disposal of a property asset not required for operations.

Investments (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, Schweningen	EUR '000	260	Trading company		100
Italy					
Swissmetal Italia s.r.l., Milan	EUR '000	10.4	Trading company	80	
France					
Swissmetal France S.A.S., Montreuil	EUR '000	76.5	Trading company	99.9	0.1
Cayman Islands					
UMS Cayman Ltd, George Town	CHF '000	25 000	Finance company	100	

Insolvency proceedings have been in progress at the former subsidiaries Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schweningen,

since February/March 2003. The value of shares in UMS Swiss Metalworks Ltd, Berne, was adjusted by CHF 4.4 million (see Note 10).

Portfolio changes (at book value) over the last two years were as follows:

CHF '000	UMS Ltd	SMTI	SMTF	SMHD	SMHC	TOTAL
As at 31.12.01	98 952	18	122	7 060	21 110	127 262
Depreciation as at 31.12.02	-30 562		-122	-7 060	-19 606	-57 350
Recapitalization as at 31.12.02	35 987					35 987
As at 31.12.02	104 377	18	0	0	1 504	105 899
Depreciation as at 31.12.03	-4 370					-4 370
Recapitalization as at 31.12.03						
Position as at 31.12.03	100 007	18	0	0	1 504	101 529

UMS Ltd: Swissmetal – UMS Swiss Metalworks Ltd, Berne

SMTI: Swissmetal Italia s.r.l., Milan

SMTF: Swissmetal France S.A.S., Montreuil

SMHD: Swissmetal Deutschland Holding GmbH, Schweningen

SMHC: UMS Cayman Ltd, George Town

Short term interest bearing debt (Note 06)

CHF '000	31.12.2003	31.12.2002
Credit type		
Current account	986	990
Bank loans	37 393	35 043
Total short term interest bearing debt	38 379	36 033

Bank loans increased by CHF 2.4 million. This increase was partly due to the foreign currency impact (CHF 1.4 million) of the bank loans denominated in euros, as the euro appreciated against the Swiss franc during the year under review. The increase also reflects interest (CHF 1.0 million).

Bank loans amounting to CHF 38.4 million are secured until 30 June 2004. For further details, please refer to the note on "Ability to continue as a going concern and refinancing". The average interest rate in financial year 2003 was 5.5%. Additionally, expenses of CHF 1.2 million, i.e. 2.5%, were incurred due to the option premium under the moratorium agreement (see also Note 11).

Short term provisions (Note 07)

The provisions take account of all identifiable risks. The main items concern provisions for bank guarantees amounting to CHF 10.1 million (previous year CHF 11.0 million) relating to the insolvency of Swissmetal Busch-Jaeger GmbH, Lüdenscheid (CHF 9.5 million) and Swissmetal Deutschland Holding GmbH, Schwenningen (CHF 0.6 million). A provision of CHF 1.2 million is related to the option premium under the moratorium with the consortium of Swissmetal's lending banks. For further details, please refer to the note on "Ability to continue as a going concern and refinancing". The remainder includes provisions for remuneration for the Board of Directors and auditors' fees.

Share capital (Note 08)

The fully paid-in share capital is divided into 850,000 bearer shares each with a par value of CHF 100.00.

PROFIT AND LOSS ACCOUNT

Income from investments (Note 09)

This item relates to the ordinary dividends of Swissmetal – UMS Swiss Metalworks Ltd, Berne.

Depreciation (Note 10)

The depreciation of the participating interest in Swissmetal – UMS Swiss Metalworks Ltd, Berne (CHF 4.4 million) corresponds to the adjustment made to its intrinsic value (see also Note 05).

Financial result (Note 11)

CHF '000	2003	2002
Financial income	77	3 523
Financial expenses	- 4 252	-3 467
Refinancing expenses	-1 739	0
Total	-5 914	56

The sharp drop in the financial result is attributable to the elimination of interest on Group loans due to the recapitalization of Swissmetal – UMS Swiss Metalworks Ltd, Berne.

In addition to the interest payments in the ordinary course of business, financial expenses relate to non-realized exchange rate differences of CHF 1.5 million. Furthermore, interest payments of CHF 0.6 million for bank guarantees in conjunction with the insolvency proceedings at Swissmetal Busch-Jaeger GmbH, Lüdenscheid are also included in this figure.

The refinancing expenses include an option premium payment to the bank consortium of CHF 1.2 million and consultancy fees related to the refinancing (CHF 0.5 million).

Non-operating result (Note 12)

CHF '000	2003	2002
Non-operating income	47	0
Non-operating expenses	-6	-4
Total	41	-4

The non-operating result includes the book gain from the property sale (CHF 0.047 million).

Extraordinary expenses (Note 13)

The extraordinary expenses of CHF 0.7 million include payments to the former subsidiary Swissmetal Busch-Jaeger, Lüdenscheid, which were made shortly before insolvency proceedings were initiated.

Taxes (Note 14)

The taxes comprise taxes on capital and write-backs of tax reserves that are no longer required.

Proposals 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 loss as follows:

The deficit for financial year 2003, amounting to CHF 6,512,040.71 shall be offset against the general reserves of CHF 4,200,000.00 thereby eliminating these reserves, and the balance of CHF 2,312,040.71 carried forward to new account as follows:

CHF	
Carried over from the previous year	- 32 710 803.87
Deficit for the financial year	- 6 512 040.71
General reserves	4 200 000.00 -2 312 040.71
Carried forward to new account	- 35 022 844.58

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Berne, 4 June 2004

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

Report of the Auditors

to the General Meeting of Shareholders 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 and notes/page 24 to 30) of UMS Swiss Metalworks Holding Ltd, Berne, for the year ended 31 December 2003.

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 the accumulated loss comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Without qualifying our audit opinion, we refer to the note "Ability to continue as a going concern and refinancing", according to which the financial situation of UMS Swiss Metalworks Holding Ltd requires a refinancing. The realization of the refinancing depends on various circumstances, in particular on the approval of the shareholders. These circumstances indicate the existence of a material uncertainty, which may cast significant doubt about UMS Swiss Metalworks Holding Ltd's ability to continue as a going concern.

If the refinancing plan fails, the going concern assumption of the company would not be supported anymore and the financial statements would have to be prepared on the basis of liquidation values. In this case a serious concern of over-indebtedness would exist. Therefore, we draw attention to the regulations in article 725 paragraph 2 of the Swiss Code of Obligations.

Basel, 4 June 2004

PricewaterhouseCoopers AG
D. Suter C. Heitz

