



**SWISSMETAL**

*Precision in Copper*

**Annual Report 2011**

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# COMPANY PROFILE

## Letter to Shareholders

Dear shareholders,

At our upcoming general assembly, which is planned to take place on June 28, 2012, we will ask you to vote on the voluntary liquidation of the company. If the voluntary liquidation is granted, the board and management of the holding will wind down the company, aspire to realize the value of its assets in the best achievable way and, if possible, forward any resulting proceeds to the shareholders through a liquidation dividend.

The liquidation decision would mark the end of Swissmetal Holding Ltd., a company formed in 1986 as part of the joining of forces of three, and, as of 1990, four semi-finished copper plants in Switzerland and Germany. In an attempt to build a healthy company with sustainable good performance, Swissmetal was restructured several times throughout its entire history. All through these years, the company was confronted with the fact that it produced a set of products being high-end specialties, recognized and valued all over the world, but also a high amount of commodity products where competition was high and margins were low. In an effort to find the healthy core of the company and get rid of the loss-making product segments, Swissmetal became smaller and smaller over the past 2 ½ decades, with value added sales shrinking from about CHF 400 million around the time of the company's foundation to approximately 90 million CHF in 2010.

The company made significant efforts in the area of research & development to find new applications and markets in the semi-finished copper world. And indeed, there were some noticeable successes. Swissmetal developed some breakthrough products, e.g. for the aerospace and power generation industries. No other firm in the world was ever able to produce certain products comparable in performance and quality to those of Swissmetal, marking the world's best standard.

However, the business generated with these high-end products was nowhere near able to replace the abandoned loss-making commodity volumes. Downsizing was the only alternative throughout the 25 years and began quite early in the company's history with the closure of the Selve plant in Thun/Switzerland in 1991. It was not the last attempt to shrink the business and find the healthy core. Several management teams attempted to reposition the company, focus even more on the promising high-end specialty products, reduce idle capacities, redundant installations and, unfortunately also, the headcount to a hopefully sustainable level. However it never became sustainable.

In July 2011, the central subsidiary of Swissmetal Holding Ltd., Swissmetal Industries Ltd., had to request the competent judge to grant a debt restructuring moratorium ("Nachlassstundung") that allows for temporary protection from the company's creditors, provides the guidance of an Administrator ("Sachwalter"), and makes the debt restructuring judge the ultimate decision maker. The debt restructuring moratorium was the only option at that point in time as Swissmetal's debt burden had become unbearably high for the remaining business. The dramatically changing Swiss Franc-Euro exchange rate was probably the decisive hit that ended Swissmetal's hope of a lasting recovery in its current form.

During the debt restructuring moratorium, we had to perform another restructuring and, once again, tighten the belt and focus on certain products. Ironically, it may actually be now that the remaining business of Swissmetal today seems to finally represent the healthy core, being able to compete on the global markets long term. Despite the additional burden on our customers having to pay for products in advance – a result of the debt restructuring moratorium - regime – orders keep coming in and certain customers urge us to do everything possible to keep our operations running in the future. Due to the high debt-burden, we do however not see a possibility to achieve this goal in our current set-up.

For you, as our shareholders, everything depends on the best possible realization of our assets and the result of the debt restructuring moratorium of Swissmetal Industries Ltd. Fortunately, Swissmetal Industries Ltd. possesses quite valuable assets, the aforementioned land at the Dornach site (being way too big for what is needed today by operations) representing the most promising asset. Depending on the success in divesting the healthy part of the business as a going-concern, and, as mentioned before, most notably the development and subsequent sale of the part of the Dornach property not being used by ongoing operations, Swissmetal Industries Ltd. may or may not be able to transfer funds to Swissmetal Holding Ltd., being one of Swissmetal Industries Ltd.'s creditors and the company's full owner.

As we are writing and finalizing this shareholder letter (June 6), we are not yet in a position to communicate anything concrete. Talks and negotiations with interested parties are progressing. We see promising leads, but we have to also clearly state that the end result is completely open. In any case, you can be fully assured that we have done and will continue to do our best to achieve the best possible result for the stakeholders of the company.

In all past years, this letter closed with a thank you to our employees. This year, a thank you is not enough. Having already been quite challenged before, our employees had to go through another severe downsizing, most intensive stress situations, ups and downs, moments of disappointment, but also new hope since the filing for debt restructuring moratorium by our main subsidiary. And despite of all this, everyone continued to work hard, with dedication and commitment, on producing products and shipping them to our customers that depend on them. We are deeply impressed by our employees' loyalty to their professional home. Our people deserve a great future. We hope to be able to provide it to them and thank our employees wholeheartedly for their enormous efforts during the past business year.

Sincerely yours,

Martin Hellweg

Chairman of the Board of Directors

Patrick Huber-Flotho

Delegate of the Board of Directors

Arturo Giovanoli

Member of the Board of Directors/Group CFO

# CORPORATE GOVERNANCE

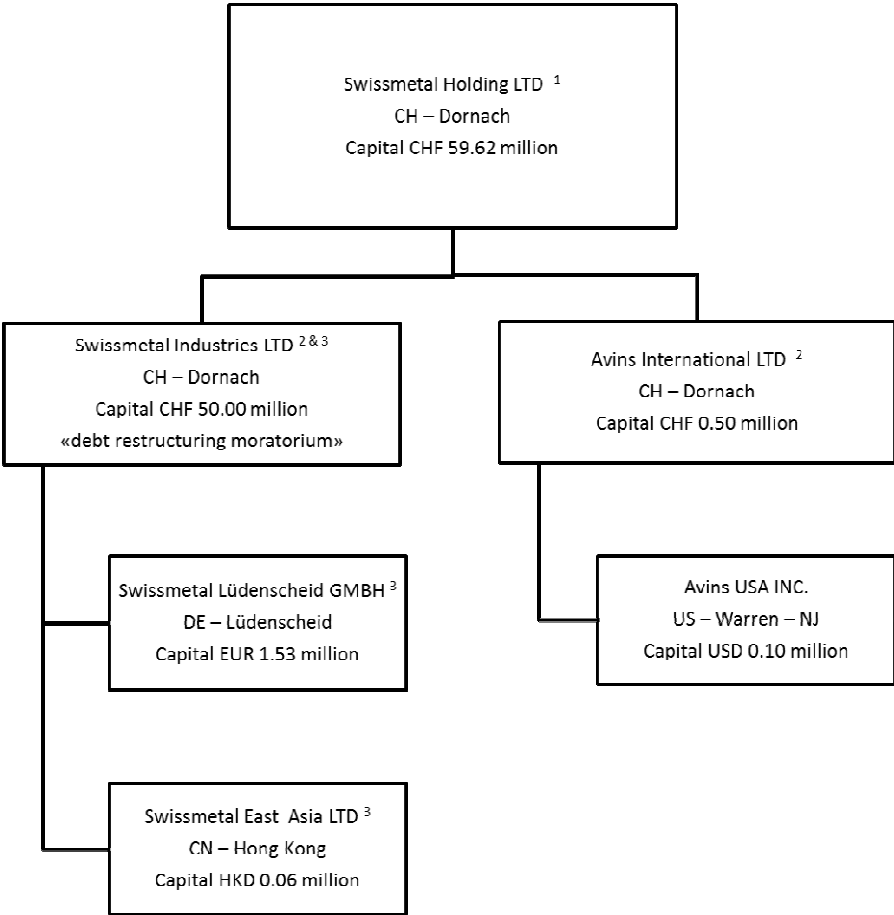
As a listed company, Swissmetal Holding Ltd is subject to the Directive on Information relating to Corporate Governance as issued by the SIX Swiss Exchange (also referred to as the SWX Directive), including its Annex and Commentary.

The Corporate Governance section of the Annual Report precisely follows the structure of the SWX Directive and covers events up to and including 5 June 2012.

## 1. Group structure and shareholders

### 1.1 Group structure

#### Legal Group structure of Swissmetal Holding Ltd



- 1 100% of Swissmetal Industries Ltd., Dornach and Avins International Ltd. Dornach.
- 2 100% each of the subsidiaries presented
- 3 Discontinuing operation

Swissmetal Holding Ltd, Dornach, is listed on the SIX Swiss Exchange in Zurich (SMET, Swiss security number 257 226; ISIN CH0002572268) and is subject to Swiss law. The share price stood at CHF 1.33 as at 31 December 2011, resulting in a market capitalization of CHF 8.8 million. The scope of the consolidation does not include any listed companies, but only the above-mentioned unlisted companies.

**Changes in the scope of consolidation during the 2011 financial year** As of 1 January 2011, Swiss Design Solutions Ltd. merged with Swissmetal Industries Ltd. Due to the debt restructuring moratorium provisionally granted on 20 July 2011 and definitely confirmed on 20 September 2011 and extended for another six months on 20 March 2012, Swissmetal Industries Ltd., Dornach including the two subsidiaries Swissmetal East Asia Ltd, and Swissmetal Lüdenscheid GmbH were excluded from the scope of consolidation.

**1.2 Significant shareholders** As at 31 December 2011 there were no registered shareholders holding more than 3% of the capital of Swissmetal Holding Ltd, Dornach, to the company's knowledge (2010: Laxey Partners Ltd. and 3V Invest Swiss Small & Mid Cap held 32.90% and 4.71% respectively).

**1.3 Cross-shareholdings** There are no cross-shareholdings that are subject to the disclosure requirements.

## 2. Capital structure

**2.1 Capital As at 31 December 2011**, the nominal value of the share capital of Swissmetal Holding Ltd, Dornach, was CHF 59,616,954 (2010: CHF 59,616,954), divided into 6,624,106 (2010: 6,624,106) bearer shares.

### 2.2 Authorized and conditional capital

**Authorized capital** The Annual General Meeting of the listed company Swissmetal Holding Ltd, Dornach, on 30 June 2006, approved the creation of authorized capital and consequently authorized the Board of Directors to increase the company's share capital at any time up to 30 June 2008. The authorized capital was extended on 21 May 2008 up to a further two years until 21 May 2010 and was increased from the maximum amount of CHF 23,563,998 up to CHF 29,808,477 at the same time by issuing at most 3,312,053 bearer shares, each with a par value of CHF 9.00, to be paid in full. On 27 May 2010, the authorized capital was extended again until 27 May 2012.

Increases by way of firm underwriting or in fractional amounts are permitted. The issue amount, timing of the dividend entitlement, type of contributions, and possible acquisitions of assets are determined by the Board of Directors.

The Board of Directors is entitled to exclude the subscription right of shareholders and to assign it to third parties if the new shares are to be used to acquire companies, parts of companies or shareholdings, or for the participation of the employees of the company or its subsidiaries.

The Board of Directors regulates the allocation of unexercised subscription rights in the interests of the company. The Board of Directors is empowered to create free shares for employee participation plans and to pay for them out of freely disposable equity.

**Conditional capital** The Annual General Meeting of the listed company Swissmetal Holding Ltd., Dornach, on 16 May 2007 approved the creation of conditional capital. The company's share capital will be increased by a maximum of CHF 22.5 million by the issue of, at most, 2,500,000 bearer shares, each with a par value of CHF 9.00, to be paid in full, to be granted upon the exercise of warrant and conversion rights associated with debenture or similar bonds of the company or Group subsidiaries. Subscription rights for shareholders are excluded.

Shareholders' preferential subscription rights in the case of warrant or convertible bonds may be restricted or excluded by a resolution of the Board of Directors (1) to finance the acquisition of

companies, portions of companies or shareholdings, or new company capital expenditures or (2) to issue these warrant and convertible bonds on international capital markets. If such preferential subscription rights are waived, (1) the warrant or convertible bond must be placed with the general public at market conditions, (2) the exercise period must not exceed five years for warrants or ten years for conversion rights from the time of the bond issue, and (3) the issue price for the new shares must be at least equal to the market price at the time of the bond issue.

## **2.3 Changes in capital**

In 2008, the share capital of Swissmetal Holding Ltd., Dornach, remained unchanged. However, the Annual General Meeting approved the prolongation of authorized capital (See also section 2.2).

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**2.4 Shares** Each share is one bearer share and carries one vote. It conveys the right to a proportionate share of net profit and the residual proceeds of liquidation of the company. The Swissmetal Group recognizes only one owner per share. The share is indivisible with respect to the company. The company has issued 6,624,106 shares with a par value of CHF 9.00 each; all shares are fully paid. By amending the Articles of Incorporation, the Annual General Meeting may at any time convert bearer shares into registered shares. Swissmetal Holding Ltd., Dornach, currently has no participation certificates. Of the total 6,624,106 shares issued on 31 December 2011, 26,207 treasury shares (2010: 18,517) are held by the Swissmetal Group.

**2.5 Profit sharing certificates** Profit sharing certificates within the meaning of the SWX Directive are a special form of non-voting securities that replace or complement shares. Swissmetal Holding Ltd., Dornach, has not issued any profit sharing certificates.

**2.6 Limitations on transferability** There are no limitations on the transferability of shares.

**2.7 Convertible bonds and options** The company currently has no outstanding convertible bonds or options.

## **3. Board of Directors**

**3.1 Members of the Board of Directors** The Boards of Directors of Swissmetal Holding Ltd., Dornach, and Swissmetal Industries Ltd., Dornach and AVINS International Ltd., Dornach are identical.

**Composition as at 6 June 2012** Two Members of the Board of Directors, Patrick Huber-Flotho and Arturo Giovanoli, belong to the Executive Management of the Swissmetal Group.

**Martin Hellweg** Born in 1967, German citizen, is Chairman of the Board of Directors of Swissmetal Holding Ltd. since June 30, 2011. Martin Hellweg holds a Master's degree in Business Administration from the Simon Graduate School of Business of the University of Rochester, New York. He began his career as a management consultant and subsequently served as a Member of the Executive Board of the Keramik Laufen Group. Martin Hellweg is the Founder and Chairman of the Ally Management Group Ltd., a turnaround management firm in Zurich. Among other mandates in this context, he served as CEO and Delegate of the Board of Directors of Swissmetal from 2003-2009 and, since 2010, as CEO and Delegate of the Board of Directors of the Wetzel Processing Group.

**Arturo Giovanoli** Born in 1959, Swiss citizen, is a Member of the Board of Directors of Swissmetal Holding Ltd. since June 30, 2011. Arturo Giovanoli holds a diploma as a Swiss Chartered Accountant and has a Master's degree in Applied Ethics from the University of Zurich. His professional career began at Ernst & Young Ltd. as an auditor and later as an M&A consultant. Since 2001, he has run his own management consulting firm "Arturo Giovanoli Financial Consulting". From 2004 to 2007, he acted as a Managing Partner of Certifica Ltd., Zurich. He is a Partner of the Ally Management Group Ltd., Zurich and of the Matrixs Ltd., Zurich, from 2005 and 2008, respectively. Arturo Giovanoli also has a number of Board assignments with unlisted companies.

**Patrick Huber-Flotho** Born in 1971, German citizen, is the Delegate of the Board of Directors of Swissmetal Holding Ltd. since June 30, 2011. Patrick Huber-Flotho holds a degree in business administration from the European Business School, Oestrich-Winkel, Germany. He began his career as the Head of Marketing and Leasing of an international real estate development company and as the Head of Corporate Real Estate and Managing Director of several subsidiaries of the Keramik Laufen Group. Subsequently, he worked as the CEO of Forming AG and served as an interim Managing Director at Swissmetal Lüdenscheid GmbH. Among other mandates in the context of turnaround management and various functions in the area of real estate, Patrick Huber-Flotho is a partner of the Ally Management Group Ltd.

**Changes during the 2011 financial year** On 30 June 2011, the term of Dr. Fritz J. Sauerländer, Dr. Dominik Koechlin, Max Locher, Dr. Jürg Henz, and Ferdinand Stutz as the Board of Directors of Swissmetal Holding Ltd. ended.

**3.2 Other activities and vested interests** Other activities and vested interests, if any, are noted in the biographies of the Members of the Board of Directors.

**3.3 Elections and terms of office** The Board of Directors was entirely elected at the Annual General Meeting. The term of office is one year and will last for all members until the Annual General Meeting for the 2011 financial year on 28 June 2012.

**3.4 Internal organizational structure** The Board of Directors is comprised of those persons named in section 3.1.

Martin Hellweg is the Chairman of the Board. The Chairman may convene as many meetings as the business requires. Each Member of the Board of Directors may also request the Chairman to convene a meeting immediately, stating the respective reasons. A majority of the 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 also be adopted in writing if no member requests a verbal consultation. The Secretary of the Board of Directors keeps the minutes of the deliberations and resolutions. Resolutions adopted by correspondence are recorded in the minutes.

The Board of Directors and its Chairman are assigned the non-transferable and inalienable duties set out in Articles 716a of the Swiss Code of Obligations. The Board of Directors decides on the allocation of the areas of responsibility (competencies) to the governing bodies of the Group companies,



determines the strategy and long-term planning and the associated business plans, and decides on the presentation of internal reporting. It also adopts resolutions on investment projects, unbudgeted expenditure, and other amounts exceeding CHF 1 million as well as resolutions on the recourse to or repayment of loans over CHF 5 million. Additional approvals by the Administrator and (for the disposal of assets) by the debt restructuring judge respectively are required for all expenses or divestment regarding Swissmetal Industries Ltd., Dornach.

Spread over 2011, the Board of Directors held 10 ordinary meetings (2010: 9) lasting an average of one hour to five hours each, as well as 42 teleconferences (2010: 8) and resolutions adopted by correspondence to also address.

Until 30 June 2011, an agenda was prepared for each meeting of the Board of Directors containing the topics regularly discussed by the Board. These included the approval of the minutes, course of business, the current status of pending investment projects in the plants, and pension fund reports. In discussing the course of business, the Board of Directors addressed the liquidity planning, current developments in each market segment and regional market, the liquidity situation, and the operational situation in the plants. In addition, further items were added to the agenda as needed, such as status reports on major projects – in first half year of 2011, these included the development of the Swissmetal strategy, production optimization, refinancing opportunities, and Executive Management recruitment.

Due to the special situation in the light of the debt restructuring moratorium of Swissmetal Industries Ltd., the board had to be very flexible on drafting agendas for meetings and address a wide variety of operational, financial, and legal matters.

One Sub-Committee, the Audit Committee, had been in place up until 30 June 2011.

The Audit Committee monitored the financial and accounting processes and systems of the Swissmetal Group, evaluated the independence and effectiveness of the external auditors, and ensured the flow of communication between the management, finance department, auditors, and Board of Directors. Based on its Charter, the Audit Committee made appropriate recommendations to the Board of Directors. Since 1 July 2011 the Audit Committee no longer exists. Until 30 June 2011, the Committee's main tasks were:

- discussing the annual financial statements with management;
- monitoring compliance with statutory accounting regulations and the accounting standards used by the company;
- reviewing the scope and planning of the external audit;
- making recommendations concerning the selection and remuneration of the external auditors;
- monitoring the effectiveness and suitability of the financial and accounting systems and the internal audit, and submitting recommendations to the Board of Directors;
- submitting a proposal to the Board of Directors in the event of over-indebtedness pursuant to Article 725 of the Swiss Code of Obligations.

The Audit Committee had the following decision-making powers:

- review of the professional qualifications of the auditors within the meaning of Article 727b of the Swiss Code of Obligations;
- establishment of the measures and rules to avoid insider dealing;
- approval of guidelines and rules concerning the publication of price-sensitive information;
- approval of the strategic audit and inspection plan;
- preparation of risk management guidelines;
- basic tax issues;

- initial appointment and remuneration of the external auditors, who are then put forward for election by the Annual General Meeting following their approval by the Board of Directors.

In 2011, the Audit Committee met on two occasions (2010: six) up until 30 June 2011. The agenda contained the streamlining of the annual closing process, the ICS processes as well as occurring financial matters. Any topics normally dealt with by the Audit Committee, but arising between meetings, were discussed by the Board of Directors and recorded in separate minutes with the relevant citations.

Due to the small size of the Board of Directors, no Sub-Committee has been established since 30 June 2011. The Board of Directors addressed all issues in its complete configuration.

**3.5 Areas of responsibility** The Board of Directors has delegated the operational management of the company and the operational leadership of the Swissmetal Group to the Executive Management, headed by the Delegate of the Board of Directors. The delineation of duties and powers among the Board of Directors, Delegate of the Board of Directors, Executive Management, and other management personnel is governed by the Organizational Regulations and their Annexes. Due to the current situation of the Swissmetal Group, the organizational structure of the Executive Management follows a legal unit logic reflecting the different dynamics at each entity. Operational management comprises all business management tasks not reserved to the Board of Directors by law, Articles of Incorporation, Organizational Regulations, their Annex, and any specific resolutions of the Board of Directors.

The Delegate of the Board of Directors is appointed by the Board of Directors. Together with the Executive Management and within the scope of the strategy approved by the Board of Directors, he is responsible for the operational management of the company and of the Swissmetal Group. He chairs the Executive Management.

The other seven Members of the Executive Management are appointed by the Board of Directors and report to the Delegate to the Board of Directors. The other Members of the Executive Management, which are the senior managers needed to conduct the business in the various subsidiaries, are, together with the Delegate of the Board of Directors, responsible for the operational management of the company and of the Swissmetal Group. The Members of the Executive Management are furthermore responsible for business relevant to their respective departments. They are authorized to delegate responsibility and are required to approve the rules governing the scope of authority within their respective departments, as appropriate; these rules must be approved by the Board of Directors. The Members of the Executive Management typically convene once a month.

Furthermore, due to the debt restructuring moratorium situation of Swissmetal Industries Ltd., teleconferences with the participation of the Board of Directors, the Administrator, the CEO of Swissmetal Industries Ltd. and external consultants as required by the circumstances, are typically held on a weekly basis.

**3.6 Information and control instruments** The Executive Management inform the Board of Directors of the strategic and operational developments as required by the circumstances. The reporting on the current financial and operational indicators serves as the basis for discussion of the course of business and typically encompass a daily and weekly Key Performance Indicators cockpit of sales, financial overviews, time series charts of sales and new orders, working capital and stock information, liquidity status as well as HR figures. The Board of Directors receives a summary of the reports.

At the Board of Directors meeting, those Members of the Executive Management who are invited to attend according to the agenda often deliver verbal reports.

Towards the end of each year, a budget for the following year is being prepared by the Executive Management for approval by the Board of Directors.

## 4. Executive Management

**4.1 Members of the Executive Management** The following reflect the status of the Swissmetal Group as at 31 December 2011. Not all Members of the Executive Management have a permanent contract of employment. Each operational entity is managed by a local management reporting.

**Patrick Huber-Flotho, Delegate of the Board of Directors and Head of Group Management**

See Section 3.1. Patrick Huber-Flotho works on a mandate basis.

**Arturo Giovanoli, Chief Financial Officer Swissmetal Group and Swissmetal Industries Ltd.** See section 3.1. Arturo Giovanoli works on a mandate basis.

**Jean-Pierre Tardent, CEO Swissmetal Industries Ltd.** Jean-Pierre Tardent (born 1954) has worked for Swissmetal for many years and had various functions. From 1987 until 1999, he had two functions in Reconvilier. Indeed, he was responsible for the Research and Development (R&D) department and also was a metallurgist for production and process. Subsequently, he was CEO for three years at Marc Sandoz S.A. In 2002, he returned to Swissmetal and was responsible for Innovation & Business development and from 1 October 2010 onward he was responsible for the specialist' function of International Technical Delegate. Since 1 July 2011, he has been the CEO of Swissmetal Industries Ltd. and works with a permanent contract of employment.

**Reinhold Maciejewski, Managing Director and Head of Sales Swissmetal Lüdenscheid GmbH**

Mr. Maciejewski (born in 1956) worked for over 30 years in the metal industry within different companies. First, he was in the business of semi-finished products made out of steel and aluminum. Since 1985, he worked for different suppliers of semi-finished products made out of nickel and copper. Hoesch Handel Ltd., Hoesch Export Ltd., VDM (Vereinigte Deutsche Metallwerke Ltd.), Swissmetal Busch-Jaeger GmbH, ThyssenKrupp VDM GmbH, Avins Germany GmbH and Swissmetal Lüdenscheid GmbH are companies names' that are part of M. Maciejewski's career. He had the following positions: Executive since 1990, Business Manager since 2007, and Member of Board in the GDB ("Gesamtverband der Deutschen Buntmetallindustrie") since 2010. He has been a Managing Director of Swissmetal Lüdenscheid GmbH since 4 July 2011.

**Martin Steinbrück, Managing Director and Head of Production Swissmetal Lüdenscheid GmbH**

Mr. Steinbrück (born in 1964) obtained a degree in Technical Business Administration. Since 1980, he has worked in the metal industry. The companies he worked for are the following: VDM ("Vereinigte Deutsche Metallwerke Ltd."), Hueck KG; Krupp Ltd.; WDI ("Westfälische Drahtindustrie GmbH"), and Hella Hueck KG. Since 2003, Martin Steinbrück has worked at Swissmetal Lüdenscheid and temporarily on various projects in the Swissmetal Industries' plants in Dornach and Reconvilier. Since May 2008, he took over the management of the technical department at Lüdenscheid and assists the COO in Lüdenscheid's business administration. In the course of the strategic relocation of machinery to Lüdenscheid, he took over the project of transferring and commissioning the facilities. He has been a Managing Director of Swissmetal Lüdenscheid GmbH since 4 July 2011.

**Joseph Rudden, Jr., CEO Avins USA, Inc.** Mr. Rudden (born in 1982) studied Chemical Engineering at the Bucknell University in the USA. He began his career with Avins Industrial Products as the Western USA Sales Manager. After four years of successfully expanding Avins' business and following the acquisition of Avins by Swissmetal, Joseph was transferred to Hong Kong. There he founded Swissmetal East Asia and took the role of Managing Director. He ran Swissmetal East Asia

Ltd. for three years and then, by the end of October, transferred back to the USA as the Chief Executive Officer of Avins USA, Inc.

**Remy Choo, Managing Director Swissmetal East Asia Ltd.** Mr. Remy (born in 1976) has been involved in the metal industry for 8 years with different companies. His experience in the industry includes the business of refractory metal semi-finished and finished products for the Semiconductor and Aerospace industry in the South East Asia region. He joined Swissmetal East Asia in June 2010 as a Sales Manager for the ASEAN region. He holds an engineering diploma from Temasek Polytechnic of Singapore. Since November 2011, he succeeded the post of Managing Director, overseeing the sales operation for the East Asia region.

**Guido F. Höck, CFO Avins USA Inc.** Mr. Höck (born in 1964) has been working for Swissmetal/Avins since 2005 in various functions. Before Swissmetal he worked for worldwide operating companies such as the Austrian Ceram Group and the US Park-Nelco Group in executive positions in procurement, logistics, tax, and legal. With a technical, economical, and legal background Mr. Höck started his career at Swissmetal as Head of Materials Management in Lüdenscheid and moved to Avins International in 2007 to support building the worldwide Avins structure. From 2007 until 2011 he also held the position of SVP Head of International Trade, External Logistics, Tax and Legal for Swissmetal's global business. He has been the CFO of Avins USA Inc. since August 2011.

**Changes during the 2011 financial year** Martin Heuschkel (Managing Director Swissmetal Design Solutions and Member of Executive Management), left the Executive Management in mid-February 2011. Dr. Olaf Schmidt-Park (CEO), Joachim Blatter (Chief Financial Officer and Member of the Executive Management), Dr. Volker Helling (Chief Sales Officer and Member of the Executive Management), Udo Nöbel (Chief Operations Officer for Industry and Head of Quality, Safety and Environment and Member of the Executive Management) and Laura Rossini (Director Human Resources and Member of the Executive Management), left the Executive Management on 30 June 2011. Furthermore, as of 4 July 2011, Jean-Pierre Tardent became CEO of Swissmetal Industries Ltd. and a Member of the Executive Management.

**4.2 Other activities and vested interests** Other activities and vested interests, if any, are noted in the biographies of the Members of the Executive Management.

**4.3 Management agreements** There are no management agreements within the meaning of the SWX Directive.

## **5. Compensation, shareholdings, and loans**

The compensation paid or accrued is disclosed in Note 17 of the Financial Report 2011 of the Swissmetal Holding Ltd., Dornach.

## **6. Shareholders' participation**

**6.1 Voting rights restrictions and representation** The bearer of a share who presents the share or is otherwise authenticated as the 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.

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

**6.3 Convocation of the general meeting of shareholders** The Annual General Meeting is held each year within six months of the end of the financial year. The Annual General Meeting is convened by the Board of Directors or if necessary by the auditors, liquidators, or creditors' representatives. The Annual General Meeting is convened through a notice in the Swiss Official Gazette of Commerce no later than 20 days before the date of the meeting. The notice to attend must state the items to be discussed and the proposals of the Board of Directors and of shareholders who have requested that an Annual General Meeting be held or an item be placed on the agenda.

An Extraordinary General Meeting is held if the Board of Directors deems it useful or necessary or on the petition of one or more shareholders who jointly represent at least one-tenth of the company's share capital.

**6.4 Agenda** The rules set out in the Articles of Incorporation on the inclusion in the agenda of the items to be discussed at the Annual General Meeting do not differ in any way from those laid down by law. Thus, shareholders must submit proposals in sufficient time for them to be sent with the invitation and within the same statutory period, i.e. 20 days before the Annual General Meeting.

**6.5 Inscriptions into the share register** Since Swissmetal Holding Ltd, Dornach, does not issue registered shares, there are no entries made in the share register.

## **7. Changes of control and defense measures**

**7.1 Duty to make an offer** The Swissmetal Group has not adopted any defense measures against takeover attempts. The governing bodies are of the opinion that the best defense is an appropriate share valuation and reliance on free market forces rather than depending on measures that generally have a negative long-term impact on the share price. The company's Articles of Incorporation do not contain either an opting-up or an opting-out clause. This means that the obligation to make an offer prescribed by the Swiss Stock Exchange Act is triggered if a shareholder or a group of shareholders acting jointly acquires more than one-third of the outstanding shares.

**7.2 Clauses on changes of control** Although the Swissmetal Group attaches fundamental importance to paying bonuses for successes, it does not compensate the failure to achieve results by, for example, paying golden handshakes in the event of severance. Swissmetal executives can expect substantial rewards for exceptional performance, but will not receive inappropriate "parachutes".

Accordingly, the company awards performance related bonuses for clearly defined goals that further the implementation of the Group's strategy. The Swissmetal Group rewards progress in this area by awarding performance-related bonuses. In connection with this, the former Board of Directors had agreed to bonuses of various sizes with the seven Members of the Executive Management. These bonuses would be paid out in the event of an acquisition, merger, or similar transaction as recognition of the recipient's outstanding achievements. The bonuses are geared to the attainment of the defined target and the achievements of the recipient. Performance-dependent bonuses that are payable to the recipients mentioned above may reach a maximum total of CHF 0.8 million as of 31 December 2010.

The size of the bonus to be awarded depends partly on the recipient's current salary and partly on the value of the transaction.

## **8. Auditors**

### **8.1 Duration of the mandate and term of office of the lead auditor**

PricewaterhouseCoopers Ltd., Basel, has held the auditor's mandate for the Swissmetal Group since 1986. Since 2008, Dr. Daniel Suter was the lead auditor for the annual financial statements. The auditors are appointed by the Annual General Meeting for a period of one year.

**8.2 Auditing fees** The total auditing fees charged by the auditors in the year under review was CHF 365,240 (2010: CHF 279,774).

**8.3 Additional fees** The fees for various tax services for Swissmetal Holding Ltd, Dornach, or one of its subsidiaries amounted to CHF 162,627 for the year under review (2010: CHF 211,685).

**8.4 Supervisory and control instruments pertaining to the audit** The Board of Directors reviews the independence and performance of the external auditors.. The auditors submit regular reports to the Executive Management and the Board of Directors containing the results of its work and recommendations.

## **9. Information policy**

The Swissmetal Group regularly informs shareholders and investors of its business activities and the general state of the industry through press releases, conferences upon the release of the annual financial statements, analyst conferences, the annual report, half-year reports, and the provision of background information.

Further information is available at: [www.swissmetal.com](http://www.swissmetal.com)

# FINANCIAL REPORT

## Swissmetal Group financial report 2011

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Unless explicitly stated otherwise, all of the values are in CHF thousands. The Swissmetal Group prepares its consolidated financial statements in accordance with Swiss GAAP FER; the single entity financial statements of Swissmetal Holding Ltd are prepared in accordance with the Swiss Code of Obligations.

## Consolidated income statement

### SWISSMETAL GROUP

CHF 000	Notes	2011	2010		Total
		Total	Continuing operation	Discontinuing operation	
<b>Gross sales</b>	1	173'277	270'828	112	270'940
Deductions from gross sales		-6'666	-11'413	0	-11'413
<b>Net sales</b>	2	166'611	259'415	112	259'527
Cost of materials and changes in stock	3	-119'456	-161'135	-1'446	-162'581
<b>Gross margin</b>	4	47'155	98'280	-1'334	96'946
Other operating income	5	542	1'267	0	1'267
Own work capitalized			77	1'815	1'892
Personnel expenses	6	-36'673	-60'898	-1'732	-62'630
Operating and administrative expenses	7	-20'483	-35'039	-4'270	-39'309
<b>Operating income before depreciation (EBITDA)</b>		-9'458	3'687	-5'521	-1'834
Depreciation on property, plant and equipment	8	-46'147	-9'023	-42	-9'065
Depreciation on intangible assets	8	-932	-2'324	-6'127	-8'451
<b>Operating income (EBIT)</b>		-56'537	-7'660	-11'690	-19'350
Financial result	9	-23'666	-5'119	-300	-5'419
<b>Ordinary result</b>		-80'204	-12'779	-11'990	-24'769
Non-operating result	10	-4	1'584	0	1'584
Extraordinary result	11	-1'232	190	0	190
<b>Earnings before taxes (EBT)</b>		-81'439	-11'005	-11'990	-22'995
Taxes	12	-140	1'038	99	1'137
<b>Result for the year (EAT)</b>		-81'579	-9'967	-11'891	-21'858

Due to the debt restructuring moratorium provisionally granted on 20 July 2011 and definitely confirmed on 20 September 2011 and extended for another six months on 20 March 2012, Swissmetal Industries Ltd., Dornach along with the two subsidiaries Swissmetal East Asia Ltd, and Swissmetal Lüdenscheid GmbH were excluded from the scope of consolidation as at 21 July 2011.



## Consolidated balance sheet

### SWISSMETAL GROUP

ASSETS		31.12.2011	31.12.2010		
	Notes	Total	Continuing operation	Discontinuing operation	Total
<b>CHF 000</b>					
<b>Current assets</b>					
Cash and cash equivalents	13	858	1'892	9	1'901
Securities		3	231		231
Trade accounts receivable	14	1'275	23'432	130	23'562
Other receivables	15	88	10'853	46	10'899
Stock	16	1'340	74'806	500	75'306
Prepaid expenses and accrued income	17	80	2'318		2'318
<b>Total current assets</b>		<b>3'644</b>	<b>113'532</b>	<b>685</b>	<b>114'217</b>
<b>Fixed assets</b>					
Property, plant and equipment	18		59'867	252	60'119
Intangible assets	18	1'000	932		932
Financial assets	19	1'346	2'536	297	2'833
<b>Total fixed assets</b>		<b>2'346</b>	<b>63'335</b>	<b>549</b>	<b>63'884</b>
<b>TOTAL ASSETS</b>		<b>5'990</b>	<b>176'867</b>	<b>1'234</b>	<b>178'101</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Short-term liabilities</b>					
Interest-bearing liabilities	20		39'570		39'570
Notes receivable and cheques			83		83
Trade accounts payable		1'182	28'743	269	29'012
Trade accounts payable Group			-13'023	13'023	0
Other liabilities	21	2'251	5'675	118	5'793
Accrued expenses and prepaid income	22	921	3'140	101	3'241
Provisions	23	604	1'911		1'911
<b>Total short-term liabilities</b>		<b>4'958</b>	<b>66'099</b>	<b>13'511</b>	<b>79'610</b>
<b>Long-term liabilities</b>					
Loan	24		5'505		5'505
Other liabilities			3		3
Provisions	23		13'536	1'158	14'694
<b>Total long-term liabilities</b>		<b>0</b>	<b>19'044</b>	<b>1'158</b>	<b>20'202</b>
<b>Total liabilities</b>		<b>4'958</b>	<b>85'143</b>	<b>14'669</b>	<b>99'812</b>
<b>Shareholders' equity</b>					
Share capital	25	59'617	59'617		59'617
Capital reserves		34'335	34'265	70	34'335
Own shares		-143	-140		-140
Cumulated exchange rate translation differences		-1'402	-5'727		-5'727
Retained earnings		-91'375	3'709	-13'505	-9'796
<b>Total shareholders' equity</b>		<b>1'032</b>	<b>91'724</b>	<b>-13'435</b>	<b>78'289</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5'990</b>	<b>176'867</b>	<b>1'234</b>	<b>178'101</b>

## Consolidated Cash Flow Statement

### SWISSMETAL GROUP

CHF 000	2011			2010
	Total	Continuing operation	Discontinuing operation	Total
<b>Cash flow from operating activities</b>				
Result for the year	-81'579	-9'967	-11'891	-21'858
Depreciation on property, plant and equipment and intangible assets	47'080	11'345	6'169	17'514
Change of Scope in Consolidation	21'270			
Change in provisions	-22	-134	1'158	1'024
Other non-cash income statement items	1'582	-3'670		-3'670
<b>Cash flow before change in net current assets</b>	<b>-11'669</b>	<b>-2'426</b>	<b>-4'564</b>	<b>-6'990</b>
Change in securities	-102	50		50
Change in trade accounts receivable	-2'348	2'592	-130	2'462
Change in other receivables and prepaid expenses and accrued income	-1'132	-3'021	-116	-3'137
Change in stock	14'689	-6'946	1'061	-5'885
Change in trade accounts payable	5'046	3'929	5'431	9'360
Changes in other current liabilities and accrued expenses and prepaid income	14'219	-1'133	41	-1'092
<b>Total cash flow from operating activities</b>	<b>18'703</b>	<b>-6'955</b>	<b>1'723</b>	<b>-5'232</b>
<b>Cash flow from investing activities</b>				
Acquisition of property, plant and equipment	-588	-1'589	-1'815	-3'404
Disposal of property, plant and equipment		1'959		1'959
Acquisition of intangible assets		-11		-11
Change in long-term financial assets	98	-357		-357
Cash of deconsolidated entities	-3'172			0
<b>Total cash flow from investing activities</b>	<b>-3'662</b>	<b>2</b>	<b>-1'815</b>	<b>-1'813</b>
<b>Free cash flow</b>	<b>15'041</b>	<b>-6'953</b>	<b>-92</b>	<b>-7'045</b>
<b>Cash flow from financing activities</b>				
Change in liabilities to banks	-19'678	3'527		3'527
Change in liabilities to third party	3'597			
Change in own shares	-3	-95		-95
<b>Total cash flow from financing activities</b>	<b>-16'084</b>	<b>3'432</b>	<b>0</b>	<b>3'432</b>
<b>Effect of exchange rate on cash and cash equivalents</b>		<b>-206</b>	<b>0</b>	<b>-206</b>
<b>Net change in cash and cash equivalents</b>	<b>-1'043</b>	<b>-3'727</b>	<b>-92</b>	<b>-3'819</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>1'901</b>	<b>5'619</b>	<b>101</b>	<b>5'720</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>858</b>	<b>1'892</b>	<b>9</b>	<b>1'901</b>

## Statement of Changes in Consolidated Shareholders' Equity

### SWISSMETAL GROUP

CHF 000	Share capital	Capital reserves <sup>1</sup>	Own shares	Cumulated exchange rate translation differences	Retained earnings <sup>2</sup>	Total <sup>3</sup>
<b>Balance as at 31 December 2009</b>	<b>59'617</b>	<b>34'350</b>	<b>-60</b>	<b>-2'904</b>	<b>12'062</b>	<b>103'065</b>
Purchase of own shares			-262			-262
Sale of own shares		-15	182			167
Result for the year					-21'858	-21'858
Exchange rate translation differences				-2'823		-2'823
<b>Balance as at 31 December 2010</b>	<b>59'617</b>	<b>34'335</b>	<b>-140</b>	<b>-5'727</b>	<b>-9'796</b>	<b>78'289</b>
Purchase of own shares			-361			-361
Sale of own shares			358			358
Result for the year					-81'579	-81'579
Exchange rate translation differences				4'325		4'325
<b>Balance as at 31 December 2011</b>	<b>59'617</b>	<b>34'335</b>	<b>-143</b>	<b>-1'402</b>	<b>-91'375</b>	<b>1'032</b>

<sup>1</sup> Includes retained statutory reserves and shareholders' equity transaction costs

<sup>2</sup> Includes the profits from the initial and subsequent consolidation, unappropriated retained earnings, the effect from the first-time application of Swiss GAAP FER 16 (Pension Plans) and the result for the period

<sup>3</sup> In 2011 and 2010, there are no minority interests

As at 31 December 2011, the share capital of Swissmetal Holding Ltd, Dornach, remained unchanged at CHF 59,616,954 (2010: CHF 59,616,954), divided into 6,624,106 (2010: 6,624,106) bearer shares of nominal CHF 9.00. Capital reserves amounting to CHF 34.3 million. There are no (previous year CHF 57.2 million) non-distributable reserves for the individual companies.

Own shares	Number	Average price (CHF)
<b>Balance as of 1 January 2010</b>	<b>5'909</b>	<b>10.13</b>
Purchase	30'998	8.44
Sale	-17'078	8.85
Sale to employees	-1'734	9.00
Purchase from employee	422	10.85
<b>Balance as of 31 December 2010</b>	<b>18'517</b>	<b>7.54</b>
Purchase	58'094	6.22
Sale	-50'404	6.42
<b>Balance as of 31 December 2011</b>	<b>26'207</b>	<b>5.48</b>

The General Meeting that was held on 16 May 2007 approved the creation of conditional capital. The share capital will be increased by an amount not exceeding CHF 22.5 million by issuing not more than 2,500,000 bearer shares, each with a par value of CHF 9.00.

The General Meeting on 30 June 2006 approved the creation of authorized capital and consequently authorized the Board of Directors to increase the company's share capital at any time up to 30 June 2008. The authorized capital was extended on 21 May 2008 up to a further two years, in fact until 21 May 2010 and was increased from the maximum amount of CHF 23,563,998 up to CHF 29,808,477 at the same time by issuing at most 3,312,053 bearer shares, each with a par value of CHF 9.00, to be paid in full. On 27 May 2010, the authorized capital was extended again until 27 May 2012.

At the end of 2011, Swissmetal Group held 26,207 own shares (previous year: 18,517). In 2011, a total of 58,094 own shares were purchased and 50,404 shares were sold. At present, no derivative instruments on own shares are outstanding.

# Notes to the consolidated financial statements

## SWISSMETAL GROUP

### GENERAL NOTE

**Basis of preparation** The Board of Directors recommends the annual general meeting to approve the voluntary liquidation of the ultimate parent company Swissmetal Holding Ltd., Dornach. Accordingly the balance sheet has been prepared on the basis of liquidation values instead of going concern values. The valuation of fixed assets is depending on future developments in particular. Therefore, there remains an inevitable uncertainty about their realisation value and the amounts accrued for (for further details see also Notes 18, 19 and 22). However, the Board of Directors is convinced that the estimates made were reliably and that they represent the best estimate possible.

### SCOPE OF CONSOLIDATION

All companies in which Swissmetal Holding Ltd, Dornach, has more than a 50% interest are included in the consolidation.

The scope of consolidation as of 31 December 2011 comprised the following companies:

- Swissmetal Holding Ltd, Dornach, Switzerland
- Avins International Ltd, Dornach, Switzerland (wholly owned)
- Avins USA Inc., Warren/NJ, USA (wholly owned)

As of 1 January 2011, Swiss Design Solutions Ltd. merged with Swissmetal Industries Ltd., Dornach.

Due to the debt restructuring moratorium provisionally granted on 20 July 2011 and definitely confirmed on 20 September 2011 and extended for another six months on 20 March 2012, Swissmetal Industries Ltd., Dornach along with the two subsidiaries Swissmetal East Asia Ltd, and Swissmetal Lüdenscheid GmbH were excluded from the scope of consolidation as at 21 July 2011. The figures for the period from 30 June 2011 to 20 July 2011 have been estimated.

### PRINCIPLES OF CONSOLIDATION

The consolidated annual financial statements give a true and fair view of the financial position, the results of operations and cash flows are in accordance with the entire Swiss GAAP FER framework.

Equity is consolidated in accordance with the purchase method. In the case of an acquisition, the assets acquired and liabilities assumed are revalued at their acquisition date's fair values in accordance with Group-wide policies. The goodwill thereby acquired is capitalized in the consolidated financial statements. In applying the full consolidation method, the assets, liabilities and equity, as well as expenses and income of the consolidated companies are fully recognized. The minority interests' shares in the equity and profit or loss of the respective company are recognized separately in the balance sheet and income statement under "Minority interests". Receivables and liabilities as well as income and expenses between the consolidated companies have been eliminated. The intercompany profits on inventories are eliminated. As a rule, unconsolidated investments in affiliates are recognized using the equity method.

## PRINCIPLES OF VALUATION

**Stock** Stocks are valued using the weighted average principle and recognized on a full-cost basis or at the lower realizable value. The spare parts, tools as well as auxiliary and operating materials are not capitalized.

**Provisions** All recognizable and measurable risks of loss have been taken into account by provisions in accordance with Swiss GAAP FER 23.

**Foreign currencies** Income and expenses in the individual Group companies are recognized using the respective daily or hedged rate of exchange. Assets and liabilities in foreign currency are recognized using the respective year-end rates. Exchange rate gains or losses on cash and cash equivalents are recognized in the income statement. Gains and losses from receivables and liabilities, after adjusting for open hedges, are likewise recognized in the income statement.

The balance sheets of consolidated foreign Group companies are translated using the current rate method at the year-end rates as of 31 December 2011 or as of the date of deconsolidation (21 July 2011) and 31 December 2010, respectively. Translation differences from loans with equity character are recorded in the exchange rate translation differences within equity.

The income statements of foreign Group companies are translated using the average annual rates. The translation adjustments are recognized directly in shareholders' equity as foreign currency translation differences.

CHF	2011		2011		2010	
	Balance sheet	Income statement	Balance sheet 20 July	Income statement	Balance sheet	Income statement
1 EUR	1.217	1.234	1.199	1.270	1.247	1.383
1 USD	0.940	0.887	0.833	0.907	0.941	1.043
1 GBP	1.453	1.422	1.335	1.465	1.455	1.611
1 HKD	0.121	0.114	0.107	0.117	0.121	0.134

**Maturities** Receivables and liabilities with an economic life of more than 12 months or bearing an uncertainty regarding the payment term are classified as fixed or long-term, respectively. Portions of fixed or long-term items that become due within 12 months are reclassified as current or short-term, respectively.

**Research and development** costs are generally expensed through income statement.

**Provisions for doubtful accounts** Provisions for doubtful accounts are comprised of individual adjustments as well as a global allowance of 3% (based on experience) of the balance of unsecured receivables and are directly deducted from accounts receivable.

### Property, plant and equipment and intangible assets

Capitalization principles Property, plant and equipment and intangible assets are capitalized at cost. Operationally required depreciation is deducted from this amount. Assets exceeding the cost of CHF 5,000 per project and whose expected useful life is more than one year are capitalized.

Depreciation The depreciation reflects the reduction in the value of fixed assets due to utilization and aging and is carried out based on business criteria. The corresponding rates are:

<b>Land and buildings</b>	<b>Years</b>	<b>%</b>
Land		
Buildings, solid structure - plants	25	4.0
Buildings, solid structure - office buildings	40	2.5
Buildings, light weight - plants	10	10.0
Buildings, light weight - office buildings	20	5.0
Residential buildings	50	2.0
Infrastructure	33	3.0

<b>Technical equipment, machines, plant and office furnishings</b>	<b>Years</b>	<b>%</b>
Fabrication machinery and equipment (average useful life)	10	10.0
Fabrication machinery and equipment (short useful life)	5	20.0
Logistical resources	5	20.0
Major equipment (presses, casting equipment)	20	5.0
Infrastructure (average useful life)	10	10.0
Infrastructure (short useful life)	5	20.0
Office equipment and furniture	5	20.0
IT equipment (mainframes, servers, printers)	5	20.0
IT equipment (PCs, desktop printers, etc.)	3	33.3
Vehicles (warehouse and passenger vehicles)	5	20.0
Vehicles (trucks)	8	12.5

<b>Intangible assets</b>	<b>Years</b>	<b>%</b>
Software	3	33.3
Customer Relationship	5	20.0
Non-compete agreement	2	50.0
Trademark/Trade name	5	20.0
Goodwill	5	20.0

If the useful life that is actually expected is shorter than the above rates, then the shorter expected useful life is applied.

**Impairment** Property, plant and equipment and intangible assets are subjected to an impairment test if there are indications. If the carrying value of an asset exceeds its recoverable amount, there is an impairment. In this case, the carrying value must be reduced to the recoverable amount and the impairment charged to the income statement. The recoverable amount is calculated as value in use that corresponds to the present value of the expected future cash flows or the net realisable value.

**Deferred tax assets** Deferred tax assets arising from losses carry forward are generally capitalized only if it is probable that they can be realized in the future through sufficient taxable profits. Due to the proposal of the Board of Directors to liquidate Swissmetal Holding Ltd., Dornach, there were no assets capitalized from tax losses carry forward as of December 2011.

## **EMPLOYEE BENEFIT OBLIGATIONS**

The Swissmetal Group bears the costs of the pensions for all the employees and their surviving dependents as required by local legislations. Due to the changes in the scope of consolidation there are no longer relating information and/or provision to be disclosed. Avins USA Inc., Warren/NJ, do not operate independent staff pension funds. Therefore, the appropriate provision is recognized in the consolidated balance sheet.

## Notes to the consolidated income statement

### SWISSMETAL GROUP

**1 – Gross sales** Due to the change in scope of consolidation the income statement of the deconsolidated entities reflect the activities until the date of deconsolidation only. A comparison with the previous year encompassing 12 months is therefore not meaningfully possible.

**2 – Net sales** Deductions from gross sales decreased to CHF 6.6 million or 3.8 % of the gross sales (2010: 4.2 %). Net sales were therefore slightly lower if compared to the underlying gross sales. Net sales contain the following breakdown into business segments:

Operational segments	2011		2010	
	CHF 000	%	CHF 000	%
Power Generation and Electronics	51'129	30.7%	84'076	32.4%
Writing Instruments	19'435	11.7%	39'684	15.3%
Watches	6'888	4.1%	9'231	3.6%
Decolletage and Industrial Applications	47'702	28.6%	82'731	31.9%
Traded Products	33'866	20.3%	30'281	11.7%
Others	7'590	4.6%	13'524	5.2%
<b>Total according annual report</b>	<b>166'611</b>	<b>100.0%</b>	<b>259'527</b>	<b>100.0%</b>

The sales are spread over the following geographical segments:

Geographical segments	2011		2010	
	CHF 000	%	CHF 000	%
Southern Europe & Middle East & Africa	47'788	28.7%	75'806	29.2%
Northern & Eastern Europe	50'055	30.0%	78'619	30.3%
USA	45'692	27.4%	65'291	25.2%
East Asia	10'480	6.3%	17'815	6.9%
India	12'597	7.6%	21'996	8.5%
<b>Total according annual report</b>	<b>166'611</b>	<b>100.0%</b>	<b>259'527</b>	<b>100.0%</b>

Net sales of the three Swissmetal plants between 21 July 2011 and 31 December 2011 are not accounted for in the two tables above due to the fact that Swissmetal Industries Ltd., along with the two subsidiaries Swissmetal East Asia Ltd., and Swissmetal Lüdenscheid GmbH were excluded from the scope of consolidation as at 21 July 2011. Therefore net sales between the two years are not comparable in absolute, but only relative (percentage) terms.

**3 – Cost of materials and changes in stock** The cost of materials and changes in stock increased by 9 percentage points to 72 % of the net sales compared to the previous year. This is mainly attributable to higher metal price compared to the previous year.

**4 – Gross margin** The gross margin in 2011 amounted to CHF 47.2 million or 28 % of net sales. This decrease to the previous year reflects the unsatisfactory performance of the first half year and of the



decreased business activities relating to the change in scope of consolidation and of the increase in metal price.

**5 – Other operating income** Other operating income totalled CHF 0.5 million (previous year: CHF 1.3 million).

**6 – Personnel expenses** In 2011, personnel expenses amounted to CHF 36.7 million and include the short-time work reimbursement of CHF 0.6 million for 2011.

As of 31 December 2011, the headcount decreased from 637 to 10 full-time equivalents. The decrease in headcount is due to the effect of change in scope of consolidation.

## 7 – Operating and administrative expenses

	2011			2010
	Total	Continuing operations	Discontinuing operations	Total
<b>CHF 000</b>				
Energy	5'996	11'077		11'077
Operating materials	7'641	15'958	276	16'234
Administrative expenses	6'108	6'019	1'591	7'610
Other expenses	738	1'985	2'403	4'388
<b>Total operating and administrative expenses</b>	<b>20'483</b>	<b>35'039</b>	<b>4'270</b>	<b>39'309</b>

In 2011, the operating and administrative expenses amounted to CHF 20.5 million (previous year: CHF 35.0 million). The energy costs and the cost for operating materials were in line with the produced quantities until the date of deconsolidation. Administrative expenses which include, among other things, costs for insurance, information technology, communication and consulting, totalled CHF 6.1million. The other expenses of CHF 0.7 million (previous year: CHF 2.0 million) comprise travel and related expenses; rental costs as well as capital and other taxes.

**8 – Depreciation** Depreciation totalled CHF 47.1 million, which reflects CHF 5.9 million of planned and CHF 41.2 million non-planned depreciation in applying the lower net realisable value. The amortization of goodwill arising from the acquisition of Avins USA Inc., Warren/NJ, amounts to CHF 0.9 million (previous year: CHF 0.5 million). See also Note 18, Property, plant and equipment and intangible assets.

## 9 – Financial result

	2011			2010
	Total	Continuing operations	Discontinuing operations	Total
<b>CHF 000</b>				
Financial income	39	78	1	79
Financial expenses	-1'672	-2'573	-305	-2'878
Exchange rate differences	-763	-2'624	4	-2'620
<b>Financial result</b>	<b>-2'396</b>	<b>-5'119</b>	<b>-300</b>	<b>-5'419</b>
Change in scope of consolidation	-21'270			
<b>Financial result - total</b>	<b>-23'666</b>	<b>-5'119</b>	<b>-300</b>	<b>-5'419</b>

The net financial result, before the impact of the change in scope of the consolidation, decreased by CHF 3.0 million to CHF -2.4 million compared to the previous year. The main reasons for this decrease are the exchange rate difference that was CHF 1.9 million lower and the financial expenses due to the deconsolidation effect.

## 10 – Non-operating result

Credit type (CHF 000)	31.12.2011	31.12.2010
Bank loans		24'510
Mortgage loans		15'060
<b>Total interest-bearing liabilities (short-term)</b>	<b>0</b>	<b>39'570</b>

**11 – Extraordinary result** In 2011, the extraordinary result amounts to CHF 1.2 million (previous year: CHF 0.2 million) and consisted mainly of the write-off of CHF 1.6 million of a receivable from Swissmetal Industries Ltd., the setting up of an accrual for a payment relating to a collateral towards a bank in the amount of CHF 0.6 million and of a provision of CHF 0.2 million for the estimated liquidation costs (represents a change in consistency). On the other hand, CHF 1.0 million results from the capitalisation of intangible asset (represents a change in consistency).

**12 – Taxes** Tax result totalled CHF 0.1 million, which is a decrease of CHF 1.0 million compared to the previous year with CHF 1.0 million. The tax result decreased mainly due to deferred taxes as a consequence of the negative result for the year and to the change in scope of consolidation. (See also Note 19, Financial assets).

## Notes to the consolidated balance sheet

### SWISSMETAL GROUP

**13 – Cash and cash equivalents** As of the balance sheet date, cash and cash equivalents totalled CHF 0.9 million (previous year CHF 1.9 million), which represents a decrease compared to 31 December 2010 of CHF 1.0 million (See also consolidated cash flow statement).

**14 – Trade accounts receivable** Trade accounts receivable have decreased by CHF 22.3 million compared to the previous year to CHF 1.3 million. The decrease was entirely due to the impact of the deconsolidation.

**15 – Other receivables** As of 31 December 2011, other receivables totalled CHF 0.1 million (previous year: CHF 10.9 million). Other receivables are composed primarily of claims from public institutions.

**16 – Stock** Stock breakdown as follows:

CHF 000	31.12.2011	31.12.2010
Raw metals		19'807
Own manufactured - metal content		41'532
Own manufactured - value added		9'327
Trade products	1'340	4'907
Other stock		29
Deduction for received partial payments		-296
<b>Total stock</b>	<b>1'340</b>	<b>75'306</b>

Since the main operating entities were deconsolidated, the values as at 31 December 2011 cannot be compared to the previous year figures. As of 31 December 2011, the valuation of traded products at lower of cost or market of the consolidated operation amounted to CHF 1.4 million.

**17 – Prepaid expenses and accrued income** Prepaid expenses and accrued income amounted to CHF 0.1 million as of 31 December 2011.

## 18 – Property plant equipment and intangible assets

2011 Statement of changes in tangible and intangible assets	Land	Buildings	Machinery and technical equipment	Other equipment	Assets under construction	Intangible assets	Total 2011
<b>CHF 000</b>							
<b>Acquisition value</b>							
<b>Balance as at 1 January</b>	<b>4'933</b>	<b>76'255</b>	<b>256'084</b>	<b>9'395</b>	<b>139</b>	<b>21'380</b>	<b>368'186</b>
Acquisition			84	5	499		588
Capitalization of intangible assets						1'000	1'000
Change in scope of consolidation	-4'822	-76'207	-255'550	-9'381	-636	-20'609	-367'205
Currency translation adjustments	-111	-48	-229	-19	-2	-771	-1'180
<b>Balance as at 31 December</b>	<b>0</b>	<b>0</b>	<b>389</b>	<b>0</b>	<b>0</b>	<b>1'000</b>	<b>1'389</b>
<b>Accumulated depreciation</b>							
<b>Balance as at 1 January</b>	<b>3</b>	<b>63'288</b>	<b>214'729</b>	<b>8'667</b>	<b>0</b>	<b>20'448</b>	<b>307'135</b>
Planned depreciation <sup>1</sup>		715	4'145	121		932	5'913
Non-planned depreciation - impairment <sup>1</sup>		9'082	30'796	711	577		41'166
Change in scope of consolidation	-3	-73'068	-249'135	-9'480	-577	-20'763	-353'026
Currency translation adjustments		-17	-146	-19		-617	-799
<b>Balance as at 31 December</b>	<b>0</b>	<b>0</b>	<b>389</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>389</b>
<b>Carrying amount</b>							
as at 1 January	4'930	12'967	41'355	728	139	932	61'051
as at 31 December	0	0	0	0	0	1'000	1'000

<sup>1</sup> Depreciation totaled CHF 47.1 million, which reflects CHF 5.9 million of planned and CHF 41.2 million non-planned depreciation in applying the liquidation value or the lower net realisable value.

2010 Statement of changes in tangible and intangible assets	Land	Buildings	Machinery and technical equipment	Other equipment	Assets under construction	Intangible assets	Total 2010
<b>CHF 000</b>							
<b>Acquisition value</b>							
<b>Balance as at 1 January</b>	<b>5'825</b>	<b>76'501</b>	<b>254'065</b>	<b>9'498</b>	<b>7'639</b>	<b>16'553</b>	<b>370'081</b>
Acquisition finance lease				65			65
Acquisition			1'348	114	1'942	11	3'415
Disposals	-347		-1'106	-255			-1'708
Transfers of assets			3'218	65	-9'442	6'159	0
Change in scope of consolidation							0
Currency translation adjustments	-545	-246	-1'441	-92		-1'343	-3'667
<b>Balance as at 31 December</b>	<b>4'933</b>	<b>76'255</b>	<b>256'084</b>	<b>9'395</b>	<b>139</b>	<b>21'380</b>	<b>368'186</b>
Thereof discontinuing operations			294			6'127	6'421
<b>Accumulated depreciation</b>							
<b>Balance as at 1 January</b>	<b>3</b>	<b>62'015</b>	<b>209'193</b>	<b>8'809</b>	<b>0</b>	<b>13'179</b>	<b>293'199</b>
Depreciation finance lease			24	93			117
Planned depreciation		1'342	7'521	86		3'056	12'005
Non-planned depreciation						5'395	5'395
Disposals			-1'148	-255			-1'403
Transfers of assets							0
Change in scope of consolidation							0
Currency translation adjustments		-69	-861	-66		-1'182	-2'178
<b>Balance as at 31 December</b>	<b>3</b>	<b>63'288</b>	<b>214'729</b>	<b>8'667</b>	<b>0</b>	<b>20'448</b>	<b>307'135</b>
Thereof discontinuing operations			42			6'127	6'169
<b>Carrying amount</b>							
as at 1 January	5'822	14'486	44'872	689	7'639	3'374	76'882
as at 31 December	4'930	12'967	41'355	728	139	932	61'051
Thereof discontinuing operations			252			0	252
<b>Fire insurance values</b>							
as at 31 December		285'885	329'915	9'080			624'880

Intangible assets as at 31 December 2011 of CHF 1.0 million reflect the capitalization of the brand "Swissmetal" resulting from the change from going concern values to liquidation values. This value has been estimated conservatively based on unbinding offers received to sell it. Intangible assets as of 31 December 2010 of 0.9 million relating to the goodwill from the acquisition of Avins USA Inc., Warren/NJ, in 2007 was fully written-off in 2011.

**19 – Financial assets** The financial assets amounted to a total of CHF 1.3 million in 2011 (previous year: CHF 2.8 million) and consist of CHF 0.6 million of a claim relating to the insolvency proceedings of Swissmetal Busch-Jaeger GmbH, Lüdenscheid and of a claim relating to the debt restructuring moratorium of Swissmetal Industries Ltd., Dornach. There exists an uncertainty regarding the valuation, as the amount due from Swissmetal Industries Ltd. depends on the outcome of the debt restructuring moratorium. As there exists an uncertainty regarding the payment term of the receivable, it has been reclassified to long-term financial assets.

In the previous year the financials assets were mainly composed of deferred taxes of CHF 2.7 million and the employer contribution reserves of CHF 0.1 million. Due to the change in scope of consolidation and to the valuation the change from going concern values to liquidation values both

positions are no longer relevant. As of 31 December 2010, the total valuable fiscal loss carry-forward totalled CHF 19.0 million and could have been claimed at least up until the end of 2014.

## 20 – Interest-bearing liabilities (short-term)

Credit type (CHF 000)	31.12.2011	31.12.2010
Bank loans		24'510
Mortgage loans		15'060
<b>Total interest-bearing liabilities (short-term)</b>	<b>0</b>	<b>39'570</b>

The short-term interest-bearing liabilities decreased by CHF 39.8 million compared to the previous year, partially due to repayments (see also cash flow statement) and to the change in scope of consolidation.

**21 – Other liabilities** Other liabilities amount to a total of CHF 2.3 million, which is totally part of the short-term liabilities as of the balance sheet date (previous year CHF 5.8 million). The other liabilities consist mainly of a liability for a compensation to a member of the Board arising from his past contractual agreement and of CHF 2.0 million payables owed from Avins International Ltd. to a deconsolidated entity.

**22 – Accrued expenses and prepaid income** The total accrued expenses and prepaid income of CHF 0.9 million represents a decrease of CHF 2.3 million year-on-year. This item includes accruals for invoices not yet received of CHF 0.5 million, auditing services and additional costs in connection with the annual report of CHF 0.1 million, an accrual for expected costs of liquidation of CHF 0.2 million and the accrued expenses for the Board of Directors. The Board of Swissmetal Holding Ltd. served as well for a major subsidiary. However, the full compensation has been charged to Swissmetal Holding Ltd. Due to economic reasons, part of their compensation has been reallocated to that major subsidiary. However, a certain risk remains at the Swissmetal Holding Ltd. level.

## 23 – Provisions

2011						
CHF 000	Restructuring	Environment	Other	Pension liabilities	Deferred taxes	Total
<b>Book value as at 1.1.2011</b>	<b>2'000</b>	<b>5'389</b>	<b>1'974</b>	<b>2'376</b>	<b>4'866</b>	<b>16'605</b>
Addition			604			604
Reversal			-95		73	-22
Change in Scope of Consolidation	-2'000	-5'389	-1'941	-2'376	-4'933	-16'639
Currency translation adjustments			62		-6	56
<b>Book value as at 31.12.2011</b>	<b>0</b>	<b>0</b>	<b>604</b>	<b>0</b>	<b>0</b>	<b>604</b>
Thereof short-term			604			604

The nature of the provision of CHF 0.6 million as of 31 December 2011 represents the remaining exposure toward a bank relating to a given guarantee.

2010						
CHF 000	Restructuring	Environment	Other	Pension liabilities	Deferred taxes	Total
<b>Book value as at 1.1.2010</b>	<b>2'000</b>	<b>5'105</b>	<b>655</b>	<b>2'978</b>	<b>5'669</b>	<b>16'407</b>
Addition		850	1'746	407	578	3'581
Utilisation		-66			0	-66
Reversal		-500	-425	-621	-1'209	-2'755
Currency translation adjustments			-2	-388	-172	-562
<b>Book value as at 31.12.2010</b>	<b>2'000</b>	<b>5'389</b>	<b>1'974</b>	<b>2'376</b>	<b>4'866</b>	<b>16'605</b>
Thereof discontinuing operations			1'141	0	17	1'158
Thereof short-term			1'504	407		1'911

As of 31 December 2010 the provision schedule shows the total of the short-term and long-term liabilities. The provisions for deferred taxes and environment were considered to be long-term provisions. The category "Other" and "Pension liabilities" contained both time horizons. Overall, CHF 13.9 million were attributable to long-term and CHF 2.5 million to short-term provisions. The environment contained provisions for environmental protection measures of net CHF 5.4 million. Due to the change in scope of consolidation, the mentioned provisions do no longer exist.

## 24 – Loan (long-term)

CHF 000	31.12.2011	31.12.2010
Bank loan		5'505
Mortgage loans		0
<b>Total loans</b>	<b>0</b>	<b>5'505</b>
Average interest rate in the years ending on		3.00%

The long-term loans decreased by CHF 5.5 million compared to the previous year (see also cash flow statement).

**25 – Shareholders' equity** For detailed information, please see the statement of changes in the consolidated shareholders' equity.

## OTHER EXPLANATORY NOTES

### SWISSMETAL GROUP

**26 – Equity interests** As at 31 December 2011, there were no shareholders holding more than 3 % of the capital of Swissmetal Holding Ltd., Dornach, to the company's knowledge.

	31.12.2011*	31.12.2010*
Laxey Partners Ltd		32.90%
3V Invest Swiss Small & Mid Cap (Fund Manager: Oppenheim Asset Service S.à r.l. and 3V Asset Management AG)		4.71%

- The percentage figure is referred to the latest published share in the corresponding year.

### 27 – Contingent liabilities and credit line

2011			
Guarantee obligations vis-à-vis third parties	CHF 000	Book value of assets used as collateral	CHF 000
Guarantee liabilities	20'000	Stock	0
		Fixed assets	0
<b>Total guarantee liabilities vis-à-vis third parties</b>	<b>20'000</b>	<b>Total</b>	<b>0</b>

As of 31 December 2011, a guarantee commitment of CHF 20.0 million (previous year: CHF 20.0 million) secured a line of credit provided to Swissmetal Industries Ltd, Dornach. The secured bank loan including accrued interests as at 31 December 2011 amounts to CHF 11.8 million.

Due to the change in scope of consolidation there were no credit lines available at Group level as at 31 December 2011.

2010					
Credit line [CHF 000]	secured	claimable maximum	claimed	Book value of assets used as collateral [CHF 000]	
Factoring	20'988	11'169	8'577	Trade accounts receivable <sup>1</sup>	
Bank loan	5'646	5'646	5'505	Assets	13'330
Warehouse facility	27'066	24'775	24'494	Stock	56'325
Mortgage loan	15'060	15'060	15'060	Assets <sup>2</sup>	44'344
<b>Total</b>	<b>68'760</b>	<b>56'650</b>	<b>53'636</b>	<b>Total</b>	<b>113'999</b>

**28 – Financial obligations from operating leases** As at 31 December 2011 there were no future obligations from operating lease agreements.

Leased assets 2010 [CHF 000]						
Maturity	2011	2012	2013	2014	2015 and later	Total
Vehicles	200	129	92	32	7	460
Office space	116	11				127
<b>Total</b>	<b>316</b>	<b>140</b>	<b>92</b>	<b>32</b>	<b>7</b>	<b>587</b>



**29 – Hedges** As at 31 December 2011 there were no open transactions.

2010			
CHF 000	Contract value	Valuation at the balance sheet closing rate	Positive (+)/negative (-) replacement value
Sale metal forwards	-370	-454	-84
Sale foreign exchange	-17	-17	0
Purchase metal forwards	309	454	145
<b>Total replacement value</b>	<b>-78</b>	<b>-17</b>	<b>61</b>

The contract value is understood as the total amount underlying the transaction. Transactions open on the balance sheet date are recognized at market value. At the balance sheet date, a derivative leads to an asset or a liability at the actual values. An asset corresponds to the amount that the accounting organization would maximally lose in case of the failure of a counterparty. A liability corresponds to the amount that the counterparty would lose if the accounting organization would not fulfil the demands of the deal. The purpose of derivatives is hedging.

**30 – Compensations and transactions with related parties** The Details are disclosed in the Notes of the annual financial statements of Swissmetal Holding Ltd., Dornach

**31 – Risk assessment disclosure** Financial risk assessment and management is an integral part of the Swissmetal Group-wide company risk management and is governed by policies reviewed by the Board of Directors. The policies provide guidance on operational risk limits, types of authorized financial instruments and monitoring procedures. Such monitoring procedures contain regular review of accounting policy assessment, including changes in accounting policy, significant accounting matters, and items requiring significant management judgement and estimates. The implementation of the accounting policy, the adherence to the regulation and the monitoring on a day-to-day risk basis are carried out by the relevant accounting and treasury functions. Regular reporting on the review of the financial risk management is performed by the relevant accounting and controlling functions.

The major financial risks that are identified, which are, therefore, the most critical accounting policies consist of liquidity, metal price changes and valuation, accounting for acquisitions, intangible assets and impairments.

**32 – Events occurring after the balance sheet date** The consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and the Notes) as of 31 December 2011 have been approved by the Board of Directors of the Swissmetal Group on 6 June 2012.

There were no further significant event occurred after the balance sheet date.

## Report of the group auditors

### SWISSMETAL GROUP

To the general meeting of  
Swissmetal Holding Ltd (Swissmetal Group), Dornach

### Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Swissmetal Holding Ltd (Swissmetal Group), which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, statement of changes in consolidated equity and Notes (pages 15 to 32), for the year ended 31 December 2011.

#### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Without qualifying our opinion, we draw attention to the General Note. This Note indicates that the basis for preparation of the consolidated financial statements has been changed to liquidation values as the Board of Directors recommends the annual general meeting to approve the voluntary liquidation of the ultimate parent company Swissmetal Holding Ltd.

We further draw attention to the Notes 18, 19 and 22 in the financial statements. These Notes indicate that material valuation uncertainties exist and that the realization of fixed assets is depending of future developments. These valuation uncertainties may lead to further impairments of fixed assets or increases of debts and may cast significant doubt about Swissmetal Holding Ltd.'s ability to further proceed with the planned liquidation.

#### *Report on other legal requirements*

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence. In accordance with article 728a paragraph 1 item 3 CO and

Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors. We recommend that the consolidated financial statements submitted to you be approved.

Basel, 6 June 2012

PricewaterhouseCoopers AG

Dr Daniel Suter	Ralph Maiocchi
Audit expert	Audit expert
Auditor in charge	

# Financial Report

## Swissmetal Holding Ltd., Dornach - financial report 2011

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The accounts are prepared in accordance with Swiss law (Swiss Code of Obligations) and the company's Articles of Incorporation.

## Income statement

### SWISSMETAL HOLDING LTD.

CHF 000	Notes	2011	2010
		liquidation value	
Income from subsidiaries			
Other income			
<b>Total operating income</b>			
Operating and administrative expenses	1	-412	-347
Other expenses from third parties	2	-12	-56
Other expenses from subsidiaries	2	-100	-100
<b>Operating income before depreciation (EBITDA)</b>		<b>-524</b>	<b>-503</b>
Depreciation	3	-67'652	-11'000
<b>Operating income (EBIT)</b>		<b>-68'176</b>	<b>-11'503</b>
Financial result	4	-18	-634
Extraordinary result	5	-8'165	190
<b>Earnings before taxes (EBT)</b>		<b>-76'359</b>	<b>-11'947</b>
Taxes	6		
<b>Result for the year (EAT)</b>		<b>-76'359</b>	<b>-11'947</b>

EBITDA: Earnings before interest, taxes, depreciation, and amortization

EBIT: Earnings before interest and taxes

EBT: Earnings before taxes

EAT: Earnings after taxes

## Balance sheet

SWISSMETAL HOLDING LTD.

		31.12.2011	31.12.2010
CHF 000	Notes	liquidation value	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		96	1
Securities		37	134
<b>Total current assets</b>		<b>133</b>	<b>135</b>
<b>Financial assets</b>			
Other receivables	7	604	3'106
Current accounts from subsidiaries	8	743	7'414
Investment in subsidiaries	9		67'652
<b>Intangible assets</b>			
Capitalization of brand	10	1'000	
<b>Total fixed assets</b>		<b>2'347</b>	<b>78'172</b>
<b>TOTAL ASSETS</b>		<b>2'480</b>	<b>78'307</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade accounts payable		161	71
Current accounts to subsidiaries			311
Other liabilities	11	286	46
Accrued expenses and prepaid income	12	436	525
Provisions for taxes			1
Other provisions	7	604	
<b>Total liabilities</b>		<b>1'487</b>	<b>954</b>
<b>Shareholders' equity</b>			
Share capital	13	59'617	59'617
General statutory reserves		43'752	43'752
Reserve for own shares	14	143	131
Available earnings		-102'518	-26'147
- Retained earnings		-26'159	-14'200
- Result for the year		-76'359	-11'947
<b>Total shareholders' equity</b>		<b>993</b>	<b>77'353</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2'480</b>	<b>78'307</b>

## Statement of Changes in Shareholders' Equity

SWISSMETAL HOLDING LTD.

CHF 000	Share capital	General statutory reserves	Reserves for own shares	Available earnings	Total shareholders' equity
<b>Balance as at 1 January 2010</b>	<b>59'617</b>	<b>43'752</b>	<b>60</b>	<b>-14'129</b>	<b>89'300</b>
Allocation to reserves for own shares			71	-71	
Result for the year - 2010				-11'947	<b>-11'947</b>
<b>Balance as at 1 January 2011</b>	<b>59'617</b>	<b>43'752</b>	<b>131</b>	<b>-26'147</b>	<b>77'353</b>
Allocation to reserves for own shares			12	-12	
Result for the year - 2011				-76'359	<b>-76'359</b>
<b>Balance as at 31 December 2011</b>	<b>59'617</b>	<b>43'752</b>	<b>143</b>	<b>-102'518</b>	<b>993</b>

Own shares	Number	Average price (CHF)
<b>Balance as of 1 January 2010</b>	<b>5'909</b>	<b>10.13</b>
Purchase	30'998	8.44
Sale	-17'078	8.85
Sale to employees	-1'734	9.00
Purchase from employee	422	10.85
<b>Balance as of 31 December 2010</b>	<b>18'517</b>	<b>7.54</b>
Purchase	58'094	6.22
Sale	-50'404	6.42
<b>Balance as of 31 December 2011</b>	<b>26'207</b>	<b>5.48</b>

At the end of 2011, Swissmetal Group held 26,207 own shares (previous year: 18,517). At present, no derivative instruments on own shares are outstanding to the company's knowledge.

The General Meeting that was held on 16 May 2007 approved the creation of conditional capital. The share capital will be increased by an amount not exceeding CHF 22.5 million by issuing not more than 2,500,000 bearer shares, each with a par value of CHF 9.00.

The General Meeting on 30 June 2006 approved the creation of authorized capital and consequently authorized the Board of Directors to increase the company's share capital at any time up to 30 June 2008. The authorized capital was extended on 21 May 2008 up to a further two years, in fact until 21 May 2010 and was increased from the maximum amount of CHF 23,563,998 up to CHF 29,808,477 at the same time by issuing at most 3,312,053 bearer shares, each with a par value of CHF 9.00, to be paid in full. On 27 May 2010, the authorized capital was extended again until 27 May 2012.

In the financial year 2011, the share capital remained the same as in 2010, meaning 6,624,106 shares, each with a par value of CHF 9.00.

## Notes to the financial statements

SWISSMETAL HOLDING LTD.

### GENERAL NOTE

**Basis of preparation** The Board of Directors recommends the annual general meeting to approve the voluntary liquidation of the company. Accordingly the balance sheet has been prepared on the basis of liquidation values instead of going concern values. The valuation of fixed assets is depending on future developments in particular. Therefore, there remains an inevitable uncertainty about their realisation value (for further details see also Notes 7, 8, 10 and 12). However, the Board of Directors is convinced that the estimates made were reliably and that they represent the best estimate possible.

### NOTES TO THE INCOME STATEMENT

**1 – Operating and administrative expenses** The operating and administrative expenses of CHF 0.4 million (previous year: CHF 0.3 million) comprise the Board of Directors' compensation as well as auditing and consulting expenses and capital taxes.

**2 – Other expenses** Other expenses cover the proportional administrative contributions within the Swissmetal Group (Group companies) and expenses for brands and patent protection.

**3 – Depreciation** Depreciation contains the extraordinary depreciation of the subsidiary investment Swissmetal Industries AG, Dornach as a result of the debt restructuring moratorium (see Note 9).

**4 – Financial result** Net financial result amounts to CHF – 0.02 million (previous year: CHF -0.6 million).

CHF 000	2011	2010
Financial income	120	
Financial expenses	-138	-634
<b>Financial result</b>	<b>-18</b>	<b>-634</b>



**5 – Extraordinary result** In the year 2011, the extraordinary loss of CHF 8.1 million consists of the depreciation of the intercompany receivables (see Note 8), the setting up of an accrual for a payment relating to a collateral towards a bank (CHF 0.6 million) and a provision for the estimated liquidation costs (represents a change in consistency). On the other hand, CHF 1.0 million results from the goodwill capitalisation (see Note 10 and representing a change in consistency) and from the reversal of an accrual relating to the Board of Directors' compensation.

	2011	2010
CHF 000	liquidation value	
Depreciation current accounts from subsidiaries	-8801	
Accrual for collateral	-604	
Accrual for liquidation costs	-200	
Reversal of accruals	306	
Capitalisation of brand	1000	
Reversal of a write-off of receivables		190
Other items	134	
<b>Extraordinary result</b>	<b>-8'165</b>	<b>190</b>

**6 – Taxes** Taxes consist of taxes on income and are zero in 2011.

## Notes to the balance sheet

**7 – Other receivables and provisions** As part of the refinancing in 2004, Swissmetal Holding Ltd. acquired these receivables from banks when it paid the current guarantees made to these banks in connection with the insolvency proceedings of Swissmetal Busch-Jaeger GmbH, Lüdenscheid. The receivables end of 2010 valued at CHF 3.1 million. In 2011, 80% of the claim was received, the collateral toward a bank was accordingly reduced, and the remaining exposure toward the bank of CHF 0.6 million accrued. As there exists an uncertainty regarding the payment term of the receivable it has been reclassified to long-term financial assets.

**8 – Current accounts from subsidiaries** As a consequence of the debt restructuring moratorium of Swissmetal Industries Ltd., Dornach, and of the impairment of the claim toward Avins International Ltd., Dornach, the current accounts from subsidiaries were reduced to reflect the expected repayment. There exists an uncertainty regarding the valuation, as the amount due from Swissmetal Industries Ltd. depends on the outcome of the debt restructuring. As there exists an uncertainty regarding the payment term of the receivable, it has been reclassified to long-term financial assets.

**9 – Investment in subsidiaries** As of 31 December 2011, all investments were fully written off.

Country and company 2011	Currency 000	Share capital	Purpose	Equity investment	
				Direct in %	Indirect in %
<b>Switzerland</b>					
Swissmetal Industries Ltd, Dornach <sup>1</sup>	CHF	50'000	Production facility	100	
Avins International Ltd, Dornach <sup>1</sup>	CHF	500	Trading company	100	
Swissmetal Design Solutions Ltd, Dornach <sup>2</sup>	CHF	100	Development company	100	
<b>Germany</b>					
Swissmetal Lüdenscheid GmbH, Lüdenscheid <sup>1</sup>	EUR	1'525	Production facility		100
<b>USA</b>					
Avins USA Inc., Warren/NJ	USD	100	Trading company		100
<b>China</b>					
Swissmetal East Asia Ltd, Hong Kong	HKD	60	Trading company		100

Country and company 2010					
<b>Switzerland</b>					
Swissmetal Industries Ltd, Dornach	CHF	50'000	Production facility	100	
Avins International Ltd, Dornach	CHF	500	Trading company	100	
Swissmetal Design Solutions Ltd, Dornach	CHF	100	Development company	100	
<b>Germany</b>					
Swissmetal Lüdenscheid GmbH, Lüdenscheid	EUR	1'525	Production facility		100
<b>USA</b>					
Avins USA Inc., Warren/NJ	USD	100	Trading company		100
<b>China</b>					
Avins East Asia Ltd, Hong Kong	HKD	60	Trading company		100

1 Discontinuing operation due to the debt restructuring moratorium provisionally granted to Swissmetal Industries Ltd., Dornach on 20 July 2011 and definitely confirmed on 20 September 2011 and extended for another six months on March 20, 2012.

2 As of 1 January 2011, Swissmetal Design Solutions Ltd. merged with the parent company Swissmetal Industries Ltd.

The changes in investments (at carrying values) in recent years developed as follows:

CHF 000	SMCH	SMDS	AVIN	Total
<b>Balance as at 1 January 2010</b>	<b>78'652</b>	<b>0</b>	<b>0</b>	<b>78'652</b>
Changes	-11'000			-11'000
<b>Balance as at 1 January 2011</b>	<b>67'652</b>	<b>0</b>	<b>0</b>	<b>67'652</b>
Changes	-67'652			-67'652
<b>Balance as at 31 December 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

SMCH: Swissmetal Industries Ltd., Dornach

SMDS: Swissmetal Design Solutions Ltd., Dornach

AVIV: Avins International Ltd., Dornach

**10 – Intangible asset / capitalization of brand** As of 31 December 2011, the brand “Swissmetal” has been valued and capitalized because of the change from going concern values to liquidation values. This value has been estimated based on unbinding offers received to sell it.

**11 – Other liabilities** As of 31 December 2011 the position consists mainly of a liability for a compensation to a member of the Board arising from his past contractual agreement.

**12 – Accrued expenses and prepaid income** On a year-on-year comparison, the decreased number mainly reflects the accrued expenses for the Board of Directors. The Board of Swissmetal Holding Ltd. served as well for a major subsidiary. However, the full compensation has been charged to Swissmetal Holding Ltd. Due to economic reasons, part of their compensation has been reallocated to that major subsidiary. However, a certain risk remains at the Swissmetal Holding Ltd. level. Furthermore, the position contains an accrual for expected costs of liquidation.

**13 – Share capital** The share capital is fully paid and divided into 6,624,106 bearer shares (previous year: 6,624,106 bearer shares) with a par value of CHF 9.00 per share.

**14 – Reserve for own shares** The reserve for own shares increased compared to the previous year due to the purchase of own shares. (See also Statement of changes in shareholders' equity).

## Other explanatory notes

### 15 – Contingent liabilities

CHF 000	31.12.2011	31.12.2010
Guarantee liabilities	20'000	20'000

As of 31 December 2011, a guarantee commitment of CHF 20.0 million (previous year: CHF 20.0 million) secured a line of credit provided to Swissmetal Industries Ltd, Dornach. The secured bank loan including accrued interests as at 31 December 2011 amounts to CHF 11.8 million.

Swissmetal Holding Ltd, Dornach, belongs to the Swiss value-added tax (VAT) group of Swissmetal Group, and thus carries joint liability to the Swiss federal tax authority for the value-added tax debts of the entire Swissmetal Group.

The claim towards Avins International Ltd., Dornach was fully provided subject to the partial subordination clause of CHF 4.0 million (previous year: CHF 4.0 million).

**16 – Significant shareholders** As at 31 December 2011, there were no shareholders holding more than 3 % of the capital of Swissmetal Holding Ltd., Dornach, to the company's knowledge (2010: Laxey Partners Ltd. and 3V Invest Swiss Small & Mid Cap held 32.90% and 4.71% respectively).

### 17 – Compensations, shareholdings, and loans

**17.1 Content and method of determining compensation and shareholding programs** The Board of Directors determines the appropriate compensation for its members as a group, using the risks and size of the Swissmetal Group compared to other enterprises as criteria. The Members of the Board of Directors of the Swissmetal Group receive directors' fees and their expenses are reimbursed. Members of the Executive Management receive a salary and expenses are (in accordance with the regulations on expenses) reimbursed. The performance-related "Sirius bonus" system is currently not of relevance and the bonus bank shows a negative amount. Therefore, no bonuses are owed to the management from the "Sirius bonus" system.

## 17.2/17.3 Compensation for the active members of the Board of Directors and of the Executive Management

Total remuneration paid or deferred in the 2011 financial year breaks down as follows:

Board of Directors: Compensation 2011 (CHF)	Dr. J. Friedrich Sauerländer (Chairman)	Dr. Dominik Koechlin (Vice Chairman)	Max Locher (Member)	Ferdinand Stutz (Member)	Dr. Jürg Henz (Member)	Martin Hellweg Chairman <sup>3</sup>	Patrick Huber- Flotho Delegate	Arturo Giovanolì Member	Total BoD
<b>Compensation ( cash )<sup>1</sup></b>									
<b>Pay ( fixed)</b>									
Chairman <sup>2</sup>	50'000					15'000			65'000
Vice Chairman <sup>2</sup>		37'500							37'500
Member <sup>2</sup>			25'000	25'000	25'000		7'500	7'500	90'000
Chairman of the AC <sup>2</sup>		7'500							7'500
Member of the AC <sup>2</sup>	7'500			7'500					15'000
<b>Remuneration for additional work<sup>4</sup></b>									
						95'790	95'790	120'000	<b>311'580</b>
Additional services above and beyond regular duties <sup>5</sup>									
	40'000								40'000
<b>Compensation ( non cash)</b>									
Social insurances <sup>6</sup>	5'909	2'823	1'568	2'039	1'568	6'238	6'238		26'383
<b>Total compensation</b>	<b>103'409</b>	<b>47'823</b>	<b>26'568</b>	<b>34'539</b>	<b>26'568</b>	<b>117'028</b>	<b>109'528</b>	<b>127'500</b>	<b>377'963</b>
Not yet paid out, together with compensation since 2009									
	250'833	105'000	58'334	57'500	52'085	15'000	7'500	7'500	553'752

1. Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.
2. In 2011, the compensations to the Board of Directors' leaving on 30 June 2011, were paid out partly and the remaining part has been accrued. The payment of the compensation of the Board of Directors' leaving on 30 June 2011 is a matter of a dispute.
3. Based on existing contractual agreements in regards to his employment at Swissmetal until 2009 and relating compensation not yet paid out, CHF 188,143 (Note 5.4 on page 34 of the annual report 2010) has been accrued for in 2010 and an additional CHF 95 533 has been accrued for in 2011 totalling CHF 283'676 until 2011.
4. This compensation had been paid for activities relating to the debt restructuring moratorium of Swissmetal Industries Ltd. Dornach.
5. CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.
6. Employer's share 2011 .

Board of Directors: Compensation 2010 (CHF)	Dr. J. Friedrich Sauerländer (Chairman)	Dr. Dominik Koechlin (Vice Chairman)	Max Locher (Member)	Dr. Roger Bühler (Member <sup>5</sup> )	Ferdinand Stutz (Member)	Dr. Jürg Henz (Member)	Total BoD
<b>Compensation ( cash )<sup>1</sup></b>							
<b>Pay ( fixed)</b>							
Chairman <sup>2</sup>	100'000						100'000
Vice Chairman <sup>2</sup>		75'000					75'000
Member <sup>2</sup>			50'000	20'833	50'000	50'000	170'833
Chairman of the AC <sup>2</sup>		15'000					15'000
Member of the AC <sup>2</sup>	15'000			6'250			21'250
<b>Remuneration for additional work</b>							
Additional services above and beyond regular duties <sup>3</sup>							
	70'000						70'000
<b>Compensation ( non cash)</b>							
Social insurances <sup>4</sup>	8'494	5'445	1'677		3'025	3'025	21'666
<b>Total compensation</b>	<b>193'494</b>	<b>95'445</b>	<b>51'677</b>	<b>27'083</b>	<b>53'025</b>	<b>53'025</b>	<b>473'749</b>

1. Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.
2. In 2011, the Board of Directors' compensations for 2009 and 2010 are paid out partly; the remaining rest is accrued.
3. CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.
4. Employer's share 2010.
5. Dr. Roger Bühler was a BoD and AC member until 27 May 2010.

No loans or credits were granted to the Members of the Board of Directors, nor was any compensation paid to those individuals closely linked to the Board of Directors other than what was already mentioned.

Executive Management Compensation 2011 (CHF)	Individual with the highest compensation: CEO	Other Executive Management Members	Total
<b>1 January to 30 June</b>			
Dr. Olaf Schmidt-Park			
<b>Compensation (Cash) <sup>1</sup></b>			
<b>Pay (fixed)</b>			
Member <sup>2</sup>	330'000	1'325'000	1'655'000
<b>Pay (variable)</b>			
Bonus "Change of control" <sup>3</sup>	247'500	367'500	615'000
Other bonuses <sup>4</sup>	68'750		68'750
<b>Total compensation (cash)</b>	<b>646'250</b>	<b>1'692'500</b>	<b>2'338'750</b>
<b>Compensation (non-cash)</b>			
Benefits in Kind <sup>5</sup>	98'000	64'867	162'867
Pension expenses <sup>6</sup>	87'370	277'410	364'780
<b>Total compensation ( non-cash)</b>	<b>185'370</b>	<b>342'277</b>	<b>527'647</b>
<b>Total compensation</b>	<b>831'620</b>	<b>2'034'776</b>	<b>2'866'396</b>

<sup>1</sup> Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

<sup>2</sup> In 2011, the compensations (representing the annual salary) to the executive management for 2011 were paid out partly; the remaining rest is accrued.

<sup>3</sup> The Board of Directors until 30 June 2011 granted bonuses to the Executive Management on the basis of a perceived "change of control" at the general assembly on 30 June 2011. These bonuses are a matter of dispute.

<sup>4</sup> In line with contractual agreement.

<sup>5</sup> Housing and care allowance

<sup>6</sup> Employer's share 2011

Executive Management Compensation 2011 (CHF)	Individual with the highest compensation	Other Executive Management Members <sup>6</sup>	Total
<b>1 July to 31 Dezember</b>			
Jean-Pierre Tardent <sup>5</sup>			
<b>Compensation (Cash) <sup>1</sup></b>			
<b>Pay (fixed)</b>			
Member	120'000	470'186	590'186
<b>Pay (variable)</b>			
Other bonuses <sup>2</sup>	13'250	28'146	41'396
<b>Total compensation (cash)</b>	<b>133'250</b>	<b>498'332</b>	<b>631'582</b>
<b>Compensation (non-cash)</b>			
Benefits in Kind <sup>3</sup>		40'905	40'905
Pension expenses <sup>4</sup>	22'238	18'245	40'483
<b>Total compensation ( non-cash)</b>	<b>22'238</b>	<b>59'150</b>	<b>81'388</b>
<b>Total compensation</b>	<b>155'488</b>	<b>557'482</b>	<b>712'970</b>

<sup>1</sup> Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

<sup>2</sup> The Board of Directors may grant bonuses based on individual merit.

<sup>3</sup> Housing and care allowance.

<sup>4</sup> Employer's share 2011.

<sup>5</sup> CEO of Swissmetal Industries Ltd., Dornach.

<sup>6</sup> The compensation of the Members of the Executive Management includes the compensation of two Members of the Board of Directors for activities relating to the debt restructuring moratorium of Swissmetal Industries Ltd., Dornach.

Executive Management Compensation 2010 (CHF)	Individual with the highest compensation: CEO Dr Olaf Schmidt-Park	Other Executive Management Members	Total
<b>Compensation (Cash) <sup>1</sup></b>			
<b>Pay (fixed)</b>			
Member	330'000	1'625'397	1'955'397
<b>Pay (variable)</b>			
Sirius bonus (Retired)		37'600	37'600
Sirius bonus			
Other bonuses <sup>2</sup>	165'000	33'939	198'939
<b>Remuneration for additional work</b>			
Additional services above and beyond regular duties		7'506	7'506
<b>Total compensation (cash)</b>	<b>495'000</b>	<b>1'704'442</b>	<b>2'199'442</b>
<b>Compensation (non-cash)</b>			
Bonus bank opening balance		-1'791'546	-1'791'546
Bonus bank pay-out (negative value) and deduction (positive value), respectively <sup>3</sup>		-1'791'546	-1'791'546
Bonus bank closing balance			
Benefits in Kind <sup>4</sup>	78'000	50'373	128'373
Pension expenses <sup>5</sup>	78'273	282'932	361'205
<b>Total compensation ( non-cash)</b>	<b>156'273</b>	<b>333'305</b>	<b>489'578</b>
<b>Total compensation</b>	<b>651'273</b>	<b>2'037'747</b>	<b>2'689'020</b>

1 Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

2 The Board of Directors may grant bonuses based on individual merit.

3 The negative bonus bank balance is not owed to the Swissmetal Group. It is offset with the positive contribution in brackets from 2010 and will be offset with future bonuses and, therefore, it is not added to the total compensation (non-cash).

4 Housing and car allowance

5 Employer's share 2010.

**Note on the bonus bank:** The lines "Sirius bonus" and "Bonus bank pay-out (negative value) and deduction (positive value), respectively" have to be looked at together. The first line shows how much is paid out for the respective year. Adding both lines yields the expense for the respective year. A negative balance in the line "Bonus bank pay-out (negative value) and deduction (positive value), respectively" now means that this amount was withdrawn from the bonus bank and not charged to expenses. A positive balance would mean that the bonus bank increased in the respective year and the target could eventually be more than exceeded. Although the "Sirius bonus" system has not been abolished, it is no longer valid, due to the debt restructuring moratorium of Swissmetal Industries Ltd.

**17.4 Compensation for former members of governing bodies** No severance payments went to former Members of the Board of Directors or Executive Management who left during or before 2011; they only received their contractual or agreed notice entitlements.

**17.5 Share allotment in the year under review** As of 31 December 2011, no shares have been allotted.

**17.6 Ownership of financial instruments** The number of shares held by each Member of the Board of Directors or Executive Management is given below:

<b>Number of Shares ( votes)</b>	<b>2011</b>	<b>2010</b>
<b>Dr. J. Friedrich Sauerländer</b> - (Chairman of the BoD)	n.a	5'000
<b>Dr. Dominik Koechlin</b> - (Vice Chairman)	n.a	3'000
<b>Max Locher</b> - (Member)	n.a	801
<b>Dr. Jürg Henz</b> - (Member)	n.a	
<b>Ferdinand Stutz</b> - (Member)	n.a	
<b>Dr. Olaf Schmidt-Park</b> (CEO)	n.a	1'762
<b>Joachim Blatter</b> (Chief Financial Officer)	n.a	3'023
<b>Dr. Volker Helling</b> (Chief Sales Officer)	n.a	
<b>Udo Nöbel</b> (Chief Operations Officer)	n.a	
<b>Laura Rossini</b> (Director Human Resources)	n.a	535
<b>Martin Heuschkel</b> (Managing Director Swissmetal Design Solutions)	n.a	
<b>Martin Hellweg</b> - Chairman of the BoD	1	n.a
<b>Patrick Huber-Flotho</b> - Delegate of the BoD		n.a
<b>Arturo Giovanoli</b> - Member of the BoD and Group CFO	1'000	n.a
<b>Jean-Pierre Tardent</b> - CEO	1	n.a

Other than these shares, there are no other outstanding financial instruments for the purposes of the SWX Directive.

**18 – Risk assessment disclosure** The risk assessment process addresses the nature and scope of business activities and the specific risks of Swissmetal Holding Ltd.



## Proposal of the Board of Directors

### SWISSMETAL HOLDING LTD.

In compliance with the law and the company's Articles of Association, the Board of Directors proposes to the General Meeting of Shareholders that the retained earnings be allocated as follows:

	<b>CHF 000</b>
Retained earnings from previous years	-26'147
Reallocation from own shares reserves	-12
Result for the year - 2011	-76'359
Available earnings to the Annual General Meeting	<b>-102'518</b>
Proposal of the Board of Directors regarding the utilisation of available earnings:	
<b>Carry-forward to new account</b>	<b>-102'518</b>

Dornach, 6 June 2012

For the Board of Directors:

Martin Hellweg

Chairman of the Board of Directors

Patrick Huber-Flotho

Delegate of the Board of Directors

Arturo Giovanoli

Member of the Board of Directors/Group CFO

## Report of the statutory auditors

### SWISSMETAL HOLDING LTD.

To the general meeting of  
Swissmetal Holding Ltd., Dornach

### Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swissmetal Holding Ltd., which comprise the income statement, balance sheet, and Notes (pages 36 to 47), for the year ended 31 December 2011.

#### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

Without qualifying our opinion, we draw attention to the General Note. This Note indicates that the basis of preparation of the financial statements has been changed to liquidation values as the Board of Directors recommends the annual general meeting to approve the voluntary liquidation of the company.

We further draw attention to the Notes 7, 8, 10 and 12 to the financial statements. These Notes indicate that material valuation uncertainties exist and that the realization of fixed assets depends on future developments. The balance sheet on the basis of liquidation values shows that Swissmetal Holding Ltd. is not over indebted. However, the uncertainties mentioned may cast significant doubt about Swissmetal Holding Ltd.'s ability to further proceed with the planned liquidation. The material valuation uncertainties may lead to further impairments of fixed assets or increases of debts and thus to the situation that the accumulated deficit exceeds the share capital in the sense of article 725 para. 2 Swiss Code of Obligations and the corresponding regulations would need to be complied with.

#### *Report on other legal requirements*

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists that has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

Further we draw your attention to the fact that the accumulated deficit exceeds one half of the share capital and the legal reserves (article 725 para. 1 Swiss Code of Obligations).

Basel, 6 June 2012

PricewaterhouseCoopers AG

Dr. Daniel Suter  
Audit expert  
Auditor in charge

Ralph Maiocchi  
Audit expert

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