

SWISSMETAL

Precision in Copper

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KEY FIGURES: A FIVE-YEAR OVERVIEW

Consolidated Group (CHF million)	2008 ³	2007 ³	2006 ³	2005 ¹	2004 ¹
Gross sales	324.9	407.0	357.6	198.3	204.8
· of which sales of third-party trade products	22.8	26.4			
Net sales	312.7	394.2	343.7	190.4	195.1
Gross added value sales (plants)*	113.8	126.1	118.0	103.5	117.7 ²
Gross margin**	126.4	148.5	141.1	109.2	118.4
Operating income before depreciation (EBITDA)	11.2	28.6	27.6	16.0	20.2
Operating income (EBIT)	-2.4	14.5	10.2	3.4	8.4
Result for the year (EAT)	-6.5	11.4	4.6	3.3	17.7
Total assets	209.8	236.9	219.1	162.8	162.1
Current assets	122.8	147.8	129.3	94.8	99.1
Fixed assets	87.0	89.1	89.8	68.0	63.0
Short-term liabilities	53.1	52.0	57.9	22.9	27.7
Long-term liabilities	32.6	46.8	34.9	16.5	15.9
Shareholders' equity	124.1	138.1	126.3	123.4	118.5
Cash flow from operating activities	1.5	8.1	33.1	21.1	-4.6
Capital expenditures	12.3	19.3	28.4	15.5	11.2
Headcount (annual average in full-time equivalents)	693	801	879	768	807
Net debts	46.6	40.1	34.9	-2.7	3.2
Share price as at 31 December (CHF) ⁴	9.5	27.4	26.9	14.3	12.2
Highest share price (CHF) ⁴	31.0	32.0	29.0	16.7	26.6
Lowest share price (CHF) ⁴	8.5	19.7	14.3	12.3	9.9
Earnings per share (EPS; CHF)	-1.0	1.7	0.7	0.5	2.7
Market capitalization as at 31 December ⁴	62.9	181.5	176.1	93.3	79.9

* Gross added value sales: Gross sales less metal at standard metal costs (production plants)

** Gross margin (for years according to Swiss GAAP FER): Net sales less cost of materials and changes in inventory

¹ Excluding Swissmetal Busch-Jaeger GmbH, Lüdenscheid, and Swissmetal Deutschland Holding GmbH, Schwenningen

² Due to the change in the definition of gross added value sales in 2005, the value for 2004 was adjusted from CHF 114.0 million to CHF 117.7 million.

³ Important changes: including Swissmetal Lüdenscheid GmbH, Lüdenscheid, since February 2006, and Avins Industrial Products Corp., Warren/NJ, since January 2007

⁴ On 12 July 2004, Swissmetal Holding Ltd (formerly UMS Swiss Metalworks Holding Ltd), Dornach, was refinanced through a capital decrease in the form of a reduction in the par value per share from CHF 100 to CHF 9, and a subsequent capital increase. The share prices preceding this date correspond to those published by the SIX Swiss Exchange, adjusted for the recapitalization factor.

SHARE PRICE PERFORMANCE



Dear customers, employees, shareholders and business associates,

Every time we come to prepare our Annual Report, we find that the year gone by already seems such a distant memory.

No more so than on this occasion. 2008 was a very turbulent year, about which there is much to report. And we sincerely hope this annual review gives you an informative account of developments in 2008. But it is very rare for the present to overshadow the events of the recent past to quite such an extent. The global economic crisis has now begun to affect our industry too. It requires that we concentrate wholeheartedly on managing the crisis, and also means our breakeven point needs to be as low as possible.

But Swissmetal faced a very challenging period even before the effects of the world economic crisis. In January 2008, we commissioned our new extrusion press. In the months that followed, the press suffered a few unscheduled teething problems. Our extrusion press team had to contend with several issues: the unstable functionality of the extrusion press itself, the fact that it was not yet fully interfaced with the furnaces, delivery system, etc., as well as the modernity of the plant, which is controlled by using computer terminals and joysticks. The reduction in output caused by the problems with the new installation brought difficulties for Swissmetal as a whole. Many of these problems have since been rectified, even if we have not yet fully accomplished our mission of "taming the beast". Our daily learning curve continues, and a year from now we will once again be able to look back at the real progress that has been made. But one thing is sure: as soon as the world economy picks up again, we intend

to be ready and able to accept all customer orders and ensure they are delivered on time.

That was not always the case in 2008. It is slightly galling to have to report that Swissmetal's order intake was higher year-on-year in the period up to the end of the third quarter of 2008, but that we were unable to benefit from this in a satisfactory manner due to the aforementioned problems with the new extrusion press. This information about incoming orders nevertheless contains an important positive message: our high-quality speciality products are held in high esteem around the globe. We produce relevant goods that the real economy needs. And they are in ever increasing demand – even on a cycle-adjusted basis. This is positive, and means we should enjoy strong tailwinds once the global economic clouds pass over. For Swissmetal, the last few years have been characterized by efficiency improvements, consolidation and renewal. We now have much better cost structures than we did a few years ago. If we only manage to match our 2006 or 2007 sales figure, we should be able to operate at a profit and achieve our interim target for 2010 of a 9% return on capital.

All this may seem to you to be a distant prospect amid the current situation. The realities of the market environment, instability on the financial markets and impending bankruptcies in the private and public sectors are hanging over all of us right now like the sword of Damocles. As a business, we at Swissmetal feel that we are in a comparatively solid position. We would also argue that we have survived past crises, and we know how to tighten our belts if necessary. We are doing everything possible to equip ourselves as best as we can for what the future may hold.

In recent years – which have been anything but easy for Swissmetal – we have always shown that we give our very best and that our employees are committed to the business. With our refinancing in 2004 and subsequent second chance, it was vital for us to rediscover ourselves as a firm. And that is exactly what we succeeded in doing. The new Swissmetal – the one you see before you today – is a robust business. If the crisis is "manageable", then we shall manage it. That is our deeply held conviction.

We would like to take this opportunity to thank all our loyal, passionate employees for the major contribution they have made. We are also indebted to our longstanding customers, other business partners, bank financiers and investors. Without them, Swissmetal would not be what it is today. And once the shadows cast by this world economic crisis have disappeared, we will have a business we can be immensely proud of.

Sincerely yours,

Dr. J. Friedrich Sauerländer
Chairman of the Board
of Directors

Martin Hellweg
CEO and Member of
the Board of Directors



While the main management focus of 2008 was on operative issues – the industrialization of the new extrusion press above everything else – there are still a number of milestones and achievements to be reported along our five strategic thrusts Operational Excellence, Industrial Consolidation, Asia Strategy, Trade Products, and Design Solutions.

Operational Excellence

The new extrusion press at the Dornach plant, officially inaugurated on 19 January 2008 in its new factory building is the flagship of the central hot forming (casting and extrusion press) facility of our Swiss sites in Dornach. Our industrial concept which we publicly announced at the end of 2005 is now largely completed, with the exception of some further technical investment in the central foundry in Dornach. The industrial concept comprises four key elements: (1) the central hot deformation in Dornach, (2) the finishing centers for profiles, tubes and rods and (3) the one for strips in Dornach, and (4) the work-flow optimized finishing center for wires and precision rods in Reconvilier.

As communicated at several occasions all through the year 2008 the transfer of the production volume to this machine took much more time, effort, and investment spending than initially expected. Despite having all our best technicians of the whole Swissmetal group fully dedicated to this project it turned out to be quite a learning process how to best operate this extremely versatile but also complex machine. A number of smaller technical adaptations and additional investments were necessary in order to enable a smooth production process. Today, the new press has almost reached full capacity and is capable of producing the full spectrum of Swissmetal extruded product. However, there is still some additional efficiency potential to be tapped, for instance by using larger billet sizes, higher extrusion speeds, and by shortening change-over processes. The new press held its promise and allowed us to dismantle several old extrusion presses, which led to significant cost savings.

In the first quarter of 2008, we shut down the two extrusion presses at Reconvilier, which allowed us to consolidate our cold forming equipment, to empty and close down one of the two factory buildings at Reconvilier and to concentrate all activities of the site into one single building. It is thus no longer necessary to transport materials between the two factory buildings, which

are sited 500 meters apart. This, allied with the hugely improved materials flow in the newly outfitted and renovated factory building in the center of Reconvilier, has improved efficiency substantially. Read more on the industrial developments on page 16 of this report.

Industrial Consolidation

In 2008 we analyzed, negotiated and planned the acquisition of our long-standing US customer RM Precision Swiss Inc., of Las Vegas, Nevada. During summer 2008, at a time of increasing uncertainty regarding the economic development, the risks associated with such a transaction had to be revisited. We started to search for other ways of intensifying our collaboration with RM Precision Swiss without having to fully integrate the company. In September, we signed two contracts, which together form a very close cooperation model to the mutual benefit of Swissmetal and RM Precision in such a way that the initially planned acquisition became obsolete: (a) an exclusive sales and distribution agreement and (b) a long-term supplier agreement. Both agreements stipulate exclusivity regarding certain end customers of RM Precision Swiss and are of great value for a joint business development in the US precision connectors market.

A number of other potential M&A cases in Europe but also Asia and North America were examined during the year 2008 and potential candidates were visited. The driving force behind these activities remains our aim not just to round up our product range and technology portfolio, but above all to improve our position in the global markets for sophisticated specialty products. However, as in 2007, none of the potential acquisition targets investigated satisfied our strategic criteria. Nevertheless, Swissmetal is continuing to monitor the market closely and will not hesitate when an opportunity for consolidation arises that will bring the company genuine strategic benefits.

Asia strategy

In September 2008, we signed an agreement with our long-standing distribution partner in India, Lee Vedla of Bhopal, who is also an industrial company with many years of manufacturing experience. This contract frames a creative form of collaboration, which (a) allows us to stay in full control of the production process, the technology applied, and the quality produced and at the same time (b) tremendously reduces our

business risks associated with an own manufacturing site in India since we can rely on existing infrastructure, business experience, and the contacts of our partner Lee Vedla.

The production shall be put in place in Bhopal in several stages, each with increasing investment and increasing business benefit. The first set of machines from Lüdenscheid and Reconvilier planned to be transferred to Bhopal are packed and ready to be shipped. Due to the current economic environment, however, the actual transfer of machines and the necessary infrastructure investments in Bhopal are on hold for the time being. Because we have to be prepared for a worst case economic scenario with a continuation of the recession for many months to come, the ramp up of our Indian production must wait until we see a pick-up of the industrial demand situation.

Avins global trading brand

Swissmetal Group's sales and distribution arm Avins, steered by the sub-holding Avins International Ltd, Dornach, Switzerland, continued to strengthen its structures, processes and international business network all through 2008. A representation office in Milan, Italy has been established and an affiliate in Hong Kong, Avins East Asia Limited, is in the process of being established at the time this report is being printed. Contractual agreements have been found with a number of international reputed high-end metals producers who offer a complementary product to Swissmetal. The goal is to offer our customers a comprehensive product portfolio and to be able to provide them with product from Swissmetal and other manufacturers from around the world from a single source.

ATMOVA by Swissmetal Design Solutions

One of Swissmetal's most stunning innovations, a roof tile made from architectural brass, which enables a heat pump-based heating and cooling system to extract energy from the environment, was presented to the public for the first time in fall 2007. In 2008, two test installations, one in Stuttgart and one in Lucerne, gave proof of the concept and showed very promising data regarding the energy efficiency of the system. ATMOVA, the new brand name for what was formerly named "Project SolarTiles" was created and a new marketing platform was launched for it. With proof of the technical feasibility in our hands and given the extreme interest in the building technology market, we are ready to realize the first set of commercial projects already in 2009. Read more about this interesting growth opportunity on www.atmova.com and on page 14 of this report.

At the start of the 21st century, a trend toward shorter product life cycles was apparent in semi-finished products in the non-metals industry, making a more constant market presence with leading innovations or substitute products a necessity. This situation is a result of the great abundance of interchangeable alloys and standard products available. Against this background, Swissmetal took an unconventional approach to innovation projects in 2007, in which one was intended to shorten project timetables and reduce the time needed to bring new products to market. Several projects were subsequently restructured and their objectives redefined, and the resources freed up by these changes were allocated to other, higher-priority projects.

In 2008, Swissmetal further intensified its innovation work on alloys. Key successes were achieved with the development of the high-performance alloy CN8, which is eminently suitable for the special requirements of aviation and the oil industry. This alloy, in the form of solid rods, has now been certified by a number of aircraft manufacturers who have already started to use it. The target for 2009 is to successfully obtain manufacturer qualifications for hollow rods. This product consolidates Swissmetal's position as a manufacturer of high-quality, high-strength precision alloys, especially among large global customers in the industry.

In addition to the CN8 aviation project, Swissmetal also launched a support project to meet the aviation industry's requirements for aluminum bronzes. These aluminum bronze requirements exceed the product specifications previously expected by customers for other solutions. There is also strong interest in this high-tensile material in other industries such as the petroleum industry, making it a strategically valuable project for Swissmetal.

At the same time, Swissmetal has continued working on research projects with both Swiss Federal Institutes of Technology (ETH Zurich and EPF Lausanne). In 2008, these projects brought results that are enabling Swissmetal to improve its control of the quality of existing products and to improve the properties of the recently developed high-strength alloy NP6.

Swissmetal is making promising progress in other disciplines as well, such as the development of small copper hollow sections for use in electrical engineering. Today, Swissmetal is the only supplier in the world with the ability to produce small hollow sections in long lengths without troublesome welding seams. For processors and end-users of these products, the lack of seams represents a substantial assurance of dependability in daily operations. These successes in innovation, research and development provide Swissmetal with confidence in its ability to create a continuing stream of innovative new products and services in this crucial discipline.

Following preliminary market surveys on the use of renewable energy in building services systems and the formation of Swissmetal Design Solutions AG in the summer of 2007, the goal for 2008 focused on the systematic development of the new business unit. The vision pursued by Swissmetal Design Solutions AG is to unite aesthetics and technology in groundbreaking solutions for the conversion of ambient energy into usable heat.

The progress made in 2008 paved the way for the realization of this vision. Part of the work involved the development and field testing, in collaboration with the German RWTH Aachen University (Laboratory for Machine Tools, Chair for Production Engineering), of innovative fabrication methods for the mass production of the metal roof tiles. Here, the focus was on finding an efficient, flexible and eco-friendly method of manufacturing the heat exchanger roof tiles in a wide variety of designs, so as to allow the company to set up its own production facilities. This application places exceptionally high demands on the fastening and joining systems. The challenge was to find an all-metal solution, with a minimum 30-year service life, based on hazard-free, temperature-cycle-resistant materials and system components capable of guaranteeing trouble-free performance even after decades of exposure to the elements. These properties are offered by a special Swissmetal brass alloy, which already shows a successful track record in building applications and now serves as the starting material for the roof tile and cladding heat exchanger units.

ATMOVA is the brand name under which this pioneering concept is now registered (www.atmova.ch). The ATMOVA system comprises the following components: heat harvest for integration in the building envelope, heat pump, hot-water and long-term heat storage tank as well as a special control system. ATMOVA thereby offers an integral solution as the sole source of heating and hot-water production in buildings. The ATMOVA system combines technology with style, satisfying all the requirements in terms of heating properties, comfort, visual appearance and aesthetic qualities. With ATMOVA you obtain high-class roofing and façade cladding, which are either attractive decorative highlights or integrate perfectly into existing or new roofs and façades.

A key merit of the new system is that 85% of the special brass alloy used as the starting material for the active roof tiles and cladding units consists of recycled metal scrap – thereby significantly improving the em-

bodied energy profile of the ATMOVA roof tile and cladding products.

April 2008 saw the launch of a sales and marketing operation to support the production and engineering activities. Since then, the core team at Swissmetal Design Solutions AG has forged ahead with the development of company structures in all the key areas. This has provided a comprehensive basis for the market launch in 2009.

So, how does ATMOVA work?

In addition to conventional heat sources and solar collectors, there is one source of energy that puts everything else in the shade – even the sun. This is because there is only one truly inexhaustible resource: the weather.

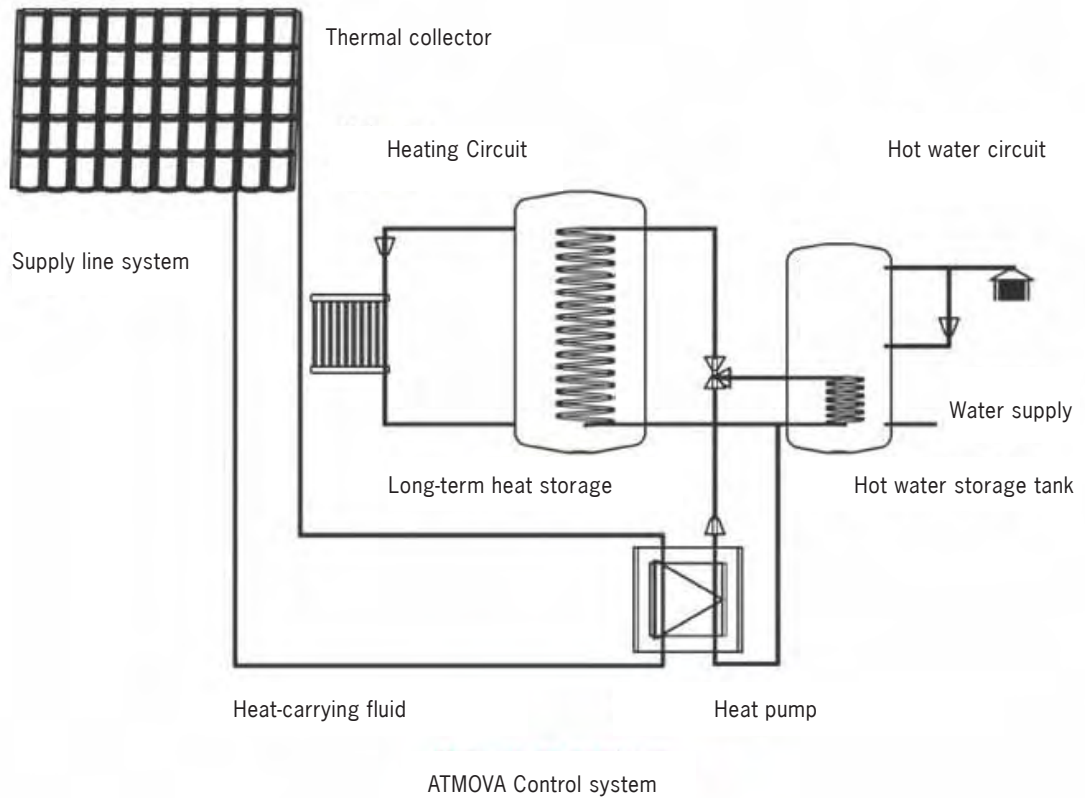
The principle is extremely simple. Roof and façades are a heat harvest. Thermal energy is extracted from the ambient temperature (down to -20 degrees), wind, rain and the sun's rays by thermal collectors – roof tiles or a façade – and carried through the supply line system by the heat-carrying fluid to the heat pump. The heat pump extracts the thermal energy from this fluid. The heat extraction process cools the tiles to below ambient air temperature. As they are colder than their surroundings, they are ready to absorb fresh heat. Extracted heat is stored in a hot water storage tank. Energy for water and space heating is drawn from this tank as required. The instrumentation and control system ensures that the heat pump is used as efficiently and effectively as possible at all times and ensures that the room temperature remains comfortable.

This system constellation guarantees a high coefficient of performance (COP, an indicator of the heat pumps' thermal efficiency) of 3.5. A COP of 3.5 means that the system generates 3.5 kWh of output energy for every kWh of input energy.

The gross square-metre output, measured on the basis of field test measurements, totals an impressive 600 W. This is compounded by the high efficiency of the special heat pump. Moreover, this result was achieved under operating conditions (including wind and rain) in which traditional solar energy systems are unable to generate any heat flows. In this regard, ATMOVA has capitalized on the revolutionary advances in heat pump technology in recent years. It is the product of a single-minded commitment to the state-of-the-art heat pumps of prime manufacturers and a proprietary control system developed in-house.

A refurbishment project in Lucerne, Switzerland, marked a major breakthrough. ATMOVA roof tiles are particularly suitable for use in intelligent heating system retrofits to listed historic buildings. By imitating the original tiles of old buildings, ATMOVA products allow for the sympathetic and unobtrusive incorporation of new technology.

The scheme to lay ATMOVA roof tiles on the 100 sqm roof of the “Haus der Umwelt” at Mühlenplatz 4 in Lucerne thus enjoyed the full support of the local conservation planning department. The clear message sent out to other cities and cantons is that genuine solutions exist for the existing building stock and not just the new-build sector.



After the Apollo extrusion press had entered service only a foundry and an extrusion press plant in Dornach and Lüdenscheid each are in operation. They are responsible for all the semi-finished products for each of the Swissmetal plants including Reconvilier. Despite the Apollo extrusion press, the machines entered service between the years 1935 and 1996. The most modern machine of Lüdenscheid is set up exclusively for the production of wire and bars (round and profile, between 3 and 25 mm). The presses in the Swiss plants were mostly specialized in the production of wire drawing stock (Reconvilier), whereas the others were capable of producing a variety of completely different products. This is reflected in the broad range of products supplied by the Dornach facility, for example, copper and copper alloys (brasses, bronzes and nickel silver) in the form of tubes, bars, simple and complex profiles, strips and wires — semi-finished products in practically any conceivable form are produced on our extrusion presses.

After a long service life, these presses had reached an age where they were no longer adequately and economically able to meet rising product expectations and quality demands (ISO), an indispensable factor for our competitiveness. Our customers were requesting ever more complex product specifications, faster delivery and innovative materials. For this reason Swissmetal took the logical decision to fast track the modernization of its machine plant.

In addition to enhanced customer satisfaction, the need to reduce costs was also a deciding factor in the decision to set up a new extrusion press. In effect, the new high-performance presses will be used almost exclusively to produce the entire product range while five obsolete presses are retired to ensure a profitable future producing in Switzerland.

In 2005, the decision was taken to invest in an extrusion press with a maximum pressing force of 50 MN (mega Newton) for extruding round billets with a diameter of 240 or 305 mm. The total investment volume was approximately CHF 30 million. Construction work began in 2006, with hot-pressing of the first batch of billets following the completion of the press in 2007.

The commissioning of the new extrusion press at the beginning of 2008 was accompanied by the shut-down of the superannuated presses and by confident expectations of increased production capability. Unfortunately, these expectations were not realized as various technical shortcomings gradually came to light. Various problems, including a non-functioning wire line and recurring faults in the instrumentation and control system, delayed the complete changeover and, since the beginning of 2008, have resulted in delivery bottlenecks that have prevented Swissmetal from completing all customer orders on time.

The supplier subsequently worked intensively on the technical equipment and operating processes. The steps taken included linking systems to the new extrusion press, such as new wire reels. The necessary new wire channels were installed and equipped with additional shock absorbers to minimize vibrations. Crucial modifications to the billet loading and scrap transport systems were made, and safeguards were installed to ensure that a wide range of product categories such as sections, strips and rods can be pressed safely. For example, cameras now simplify the task of checking the pressing process. Further adjustments were made to the computer-based control system. This was followed up by measures to optimize the scrap stripper, separation of the evacuation disc from the scrap and the strip coiler.

After having implemented these changes and experienced a dilatory introduction phase we are hoping not to be confronted similar problems next year.

CONSOLIDATED INCOME STATEMENT

Gross sales and gross added value sales In 2008, Swissmetal-Group generated consolidated gross sales of CHF 324.9 million (previous year: CHF 407.0 million). The fall in gross sales of 20% can be explained by various factors. By far the greatest impact on the gross sales was the fall in metal prices. The delivery bottlenecks caused by the transfer of production to the newly-installed extrusion press also depressed sales. In addition, in the fourth quarter Swissmetal experienced a drop in sales because of the deteriorating economic situation. Sales of metals in the course of the stock optimization programme had a positive effect of CHF 7.7 million (previous year: CHF 4.0 million) on the gross sales.

Compared to the previous year sales in the segments "connectors" and "décolletage" could be slightly increased in the fourth quarter and in the whole year, respectively. The segment "generators" remained on the same level in the year-to-year comparison. The sales in the segments electrical devices, writing instruments, watch industry and transportation industry were in 2008 below the previous year. The market for electrical devices has changed and is transferred towards Asia where Swissmetal is going to be present as well.

In the trade business, which is being expanded with the subsidiary Avins International Ltd, Dornach, gross sales were CHF 22.8 million. The major part was contributed by the Avins USA Inc., Warren, NJ, trading company. Compared to the prior year, the fall was 5% in local currency, whereas in Swiss francs a fall in sales of 14% was recorded.

The gross added value sales (BBU) of manufacturing plants, in other words the gross sales attributable to the manufacturing plants less metal at standard metal costs, amounted to CHF 113.8 million and was CHF 12.3 million or 10% lower than in the prior year. The capacity limitations mentioned above caused by the introduction of the new extrusion press and the economic situation from the fourth quarter onwards as mentioned above.

Operating income (EBIT) The 2008 gross margin amounted to CHF 126.4 million and was CHF 22.1 million below previous year. Besides for the decreased business activity, benefits from the consistent continuation of the stock efficiency program are also represented in this difference. In this program, efforts are taken to reduce the stock of metals used in the production cycle. The operational stock-efficiency benefits in 2008 amounted to CHF 9.2 million (previous year CHF 7.1 million). These benefits were generated from physical stock sales as well as from lower purchases. Due to the falling metal prices in the fourth quarter we had a negative devaluation effect, which reduced the operating income in the fourth quarter.

In 2008, personnel expenses amounted to CHF 66.3 million, which reflects a decrease of CHF 8.5 million or 11%. The ratio of personnel expenses to gross margin has increased from 50% in 2007 to 52% in 2008 because of lower gross sales. The average headcount for the year decreased from 801 to 693 full-time equivalents (as of 31 December: 750 and 685, respectively) and is a result of the industrial restructuring of Swissmetal.

Operating and administrative expenses totaled CHF 48.9 million in 2008 – which is CHF 3.8 million higher than previous year. The increase is mainly attributable to the higher operating material costs caused by the ramp up of the new extrusion press and higher energy cost. Swissmetal generated operating income before depreciation and amortization (EBITDA) of CHF 11.2 million in 2008, a decrease of CHF 17.4 million (61%).

Depreciation totaled CHF 13.6 million in 2008, hence CHF 0.5 million less than in 2007. The depreciation has declined because the assets are completely written off up to prior year due shortened depreciation periods in earlier years and increased due to first depreciation of the new press in Dornach.

This resulted in an operating income (EBIT) of CHF -2.4 million, a decrease of CHF 16.9 million.

CONSOLIDATED BALANCE SHEET

Result for the year (EAT) In 2008, the net financial result declined by CHF 1.4 million to CHF –4.3 million compared to the previous year. The main reason for this decrease are the exchange rate differences of CHF 2.2 million cost by the strong CHF. The financial expense could be lowered and the financial income could be improved.

In the non-operating and extraordinary result, an income of CHF 0.2 million is included from the sale of plant and equipment and from the revaluation of receivables in connection with the refinancing in 2004.

Tax expenditures in 2008 totaled CHF –0.1 million, a decrease of CHF 1.8 million. The tax expenses decreased due to deferred taxes as a result of the loss.

At CHF –6.5 million, the earnings after tax (EAT) were CHF 17.9 million lower than in the previous year.

At the Group level, the total assets decreased by CHF 27.1 million to CHF 209.8 million in comparison to the prior year, primarily due to the lower current assets.

On the asset side, the current assets – at CHF 122.8 million – contributed 59% to total assets, while fixed assets accounted for the remaining 41% (CHF 87.0 million).

The decrease in current assets of CHF 25.0 million (17%) compared to the previous year was the result of the account receivable reduction as well as stock reduction and devaluation.

Fixed assets of CHF 87.0 million (previous year CHF 89.1 million) include the biggest reduction in the intangible assets. As at 31 December 2008, intangible assets amounted to CHF 6.1 million and consisted of CHF 3.4 million in goodwill from the acquisition of Swissmetal Lüdenscheid GmbH, Lüdenscheid, in 2006 and of Avins USA Inc., Warren/NJ, in 2007 as well as CHF 2.7 million in software and other intangible assets.

Total liabilities amounting to CHF 85.7 million represented 41% of total assets, while shareholders' equity of CHF 124.1 million, accounted for the remaining 59%. Short-term liabilities increased by CHF 1.2 million (2%) to CHF 53.1 million. This effect is primarily composed by a decline, in the payables balance caused by lower metal prices at the end of the year, and by an increase in the interest-bearing liabilities borrowing base and short-term part of the mortgage loan.

Long-term liabilities amounted to CHF 32.6 million at the end of December 2008, CHF 14.2 million less than in the previous year. This difference results from repaying the compulsory stockpile loan of CHF 3.3 million and the already mentioned reposted short-term part of the mortgage loan.

Net debt are at CHF 46.6 million as at 31 December 2008.

CONSOLIDATED CASH FLOW STATEMENT

Swissmetal generated an operating cash flow of CHF 1.5 million in 2008, CHF 6.6 million less than in the previous year. Decreasing net working capital in 2008 generated a cash effect of CHF -5.8 million (previous year: CHF -14.7 million).

In 2008, Swissmetal invested a total of CHF 12.3 million in tangible and intangible assets (previous year CHF 12.2 million). The additions generally concern a lot of measures taken under the title "continuous improvement": Position changes of technical equipment to improve workflow processes in connection with the new press, modernization of existing machines, infrastructure improvements in Reconvilier based on the unity within one factory and in Lüdenscheid as well as tools for the new press.

Free cash flow in 2008 totaled CHF -10.8 million, a decline of CHF 2.9 million compared to the previous year, mainly as a result of the changes in the cash flow before before change in net current assets.

CORPORATE GOVERNANCE

As a listed company, Swissmetal Holding Ltd (former UMS Swiss Metalworks Holding Ltd) is subject to the Directive on Information relating to Corporate Governance 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 27 March 2009.

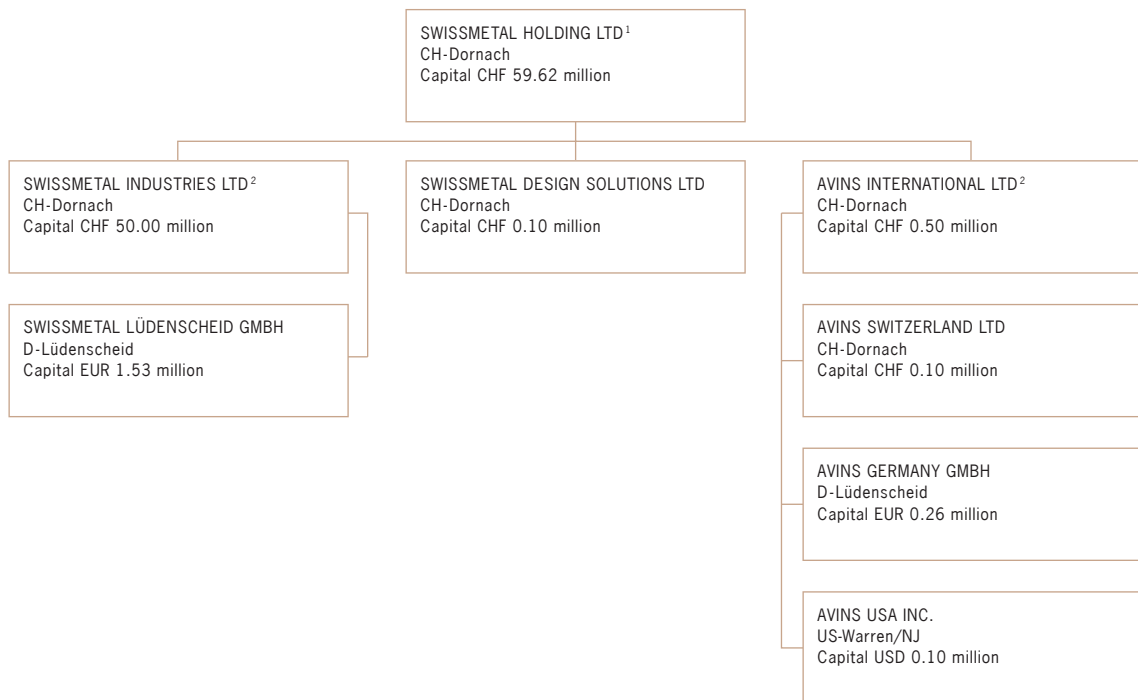
1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

Operational Group structure

BOARD OF DIRECTORS		CHAIRMAN	VICE CHAIRMAN	DELEGATE	MEMBERS OF BOARD OF DIRECTORS	
EXECUTIVE AND GROUP MANAGEMENT		CHIEF EXECUTIVE OFFICER (CEO)		EXECUTIVE VICE PRESIDENT		
		OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT				
SALES (AVINS)	SALES SUPPORT	TECHNICAL MARKETING	AVINS SWITZERLAND	CENTRAL SERVICES	HUMAN RESOURCES	
			AVINS GERMANY		FINANCE	
			AVINS FRANCE		PROCUREMENT	
			AVINS ITALY		IT	
			AVINS USA		CORPORATE DEVELOPMENT	
			AVINS CHINA		INNOVATION & BUSINESS DEVELOPMENT	
			AVINS INDIA			
			INDUSTRY			
SWITZERLAND		GERMANY	INDIA*	SWISSMETAL DESIGN SOLUTIONS		
SITE DORNACH	SITE RECONVILIER	SITE LÜDENSCHIED	SITE BHOPAL			
* Contract under construction						

Legal Group structure of Swissmetal Holding Ltd



¹ 100% of Swissmetal Industries Ltd, Dornach; Swissmetal Design Solutions Ltd, Dornach, and Avins International Ltd, Dornach

² 100% each of the subsidiaries presented

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 9.50 as at 30 December 2008, resulting in a market capitalization of CHF 62.9 million. The scope of the consolidation does not include any listed companies, but rather only the above-mentioned unlisted companies.

Changes in the scope of the consolidation during the 2008 financial year UMS Schweizerische Metallwerke Holding AG, Dornach, changed its name to Swissmetal Holding Ltd, Dornach, and Swissmetal - UMS Swiss Metalworks Ltd, Dornach, changed its name to Swissmetal Industries Ltd, Dornach, on 30 May 2008. Avins Industrial Products Corporation, Warren/NJ, USA, changed its name to Avins USA Inc., Warren/NJ, USA, on 16 July 2008.

1.2 Significant shareholders

The following shareholders held more than 3% of the capital of Swissmetal Holding Ltd, Dornach, on the balance sheet date of 31 December 2008:

	2008*	2007*
Own shares	5.07%	
Gem Small & Mid Caps Switzerland (Fund Manager: Caceis Fastnet (Suisse) SA)**	4.44%	5.00%
Laxey Partners Ltd	32.9%	32.9%
3V Invest Swiss Small & Mid Cap (Fund Manager: Oppenheim Asset Service S.à r.l. and 3V Asset Management AG)	3.13%	

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

** Fund Manager's name in 2007: FidFund Management SA.

Events 01.01. 2009 – 27.03.2009

Shareholder	Date	Shareholding
Own shares	25.03.2009	4.77%

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

2. CAPITAL STRUCTURE

2.1 Capital As at 31 December 2008, the share capital of Swissmetal Holding Ltd, Dornach, was CHF 59,616,954 (2007: CHF 59,616,954), divided into 6,624,106 (2007: 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 further two years, in fact until the 21 May 2010 and was increased from the maximum amount of CHF 23,563,998 million up to CHF 29,808,477 million 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.

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 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 2006, the share capital of Swissmetal Holding Ltd, Dornach, remained unchanged. However, the Annual General Meeting approved the creation of authorized capital. (See also section 2.2)

In 2007, the share capital was increased in two stages: On 10 January 2007 and on 21 May 2007, Swissmetal Holding Ltd, Dornach, increased the stock of shares on issue by 40,000 and 38,550 shares respectively, each with a par value of CHF 9.00, from 6,545,556 shares to 6,624,106 shares, by paying a part of the authorized capital approved at the 2006 Annual General Meeting. (See also section 2.2)

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)

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 2008, 348,576 treasury shares (2007: 145,000) 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 In the second quarter of 2007 as well as in 2008, the Swissmetal Group established an employee share participation program for the Board of Directors and the Management Circle, which consists of all the management employees including the Executive Management. The company currently has no outstanding convertible bonds or options. (See also 5.5 Share allotment in the year under review)

3. BOARD OF DIRECTORS

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

Composition as at 31 December 2008 With the exception of Martin Hellweg and Ralph Glassberg, no Member of the Board of Directors belongs to the Executive Management of the Swissmetal Group or any of its subsidiaries.

Dr. J. Friedrich Sauerländer Born in 1942, Swiss citizen, Member of the Board of Directors since 2004 and Chairman since 2005.

Dr. J. Friedrich Sauerländer holds a management degree from the University of St. Gallen (HSG) and a doctorate in economics from the University of Freiburg (Germany). His career began in Australia with the Alusuisse/Lonza Group. He subsequently assumed a number of management positions with Alusuisse/Lonza in

the USA and Brazil, before moving to the Swiss Eternit Group in 1983 as the CEO for Latin America. From 1988, he served on the Group Management of the SGS Société de Surveillance Group, as CEO of André & Cie SA/ André Group, Lausanne, and CEO of Manufacture des Montres Rolex SA, Bienne and as a partner with GEM (Global Estate Managers), Geneva. He is currently on the Board of Directors of BNP Paribas (Suisse) SA, Geneva, and of SCOR Holding (Switzerland) AG, Zurich. He is also the Chairman of the Foundation Board of Fondation PH Suisse – Partnerships in Health, Céligny and serves on the Foundation Board of Fondation Média et Société, Geneva.

Dr. Dominik Köchlin Born in 1959, Swiss citizen, Vice Chairman of the Board of Directors since 2004.

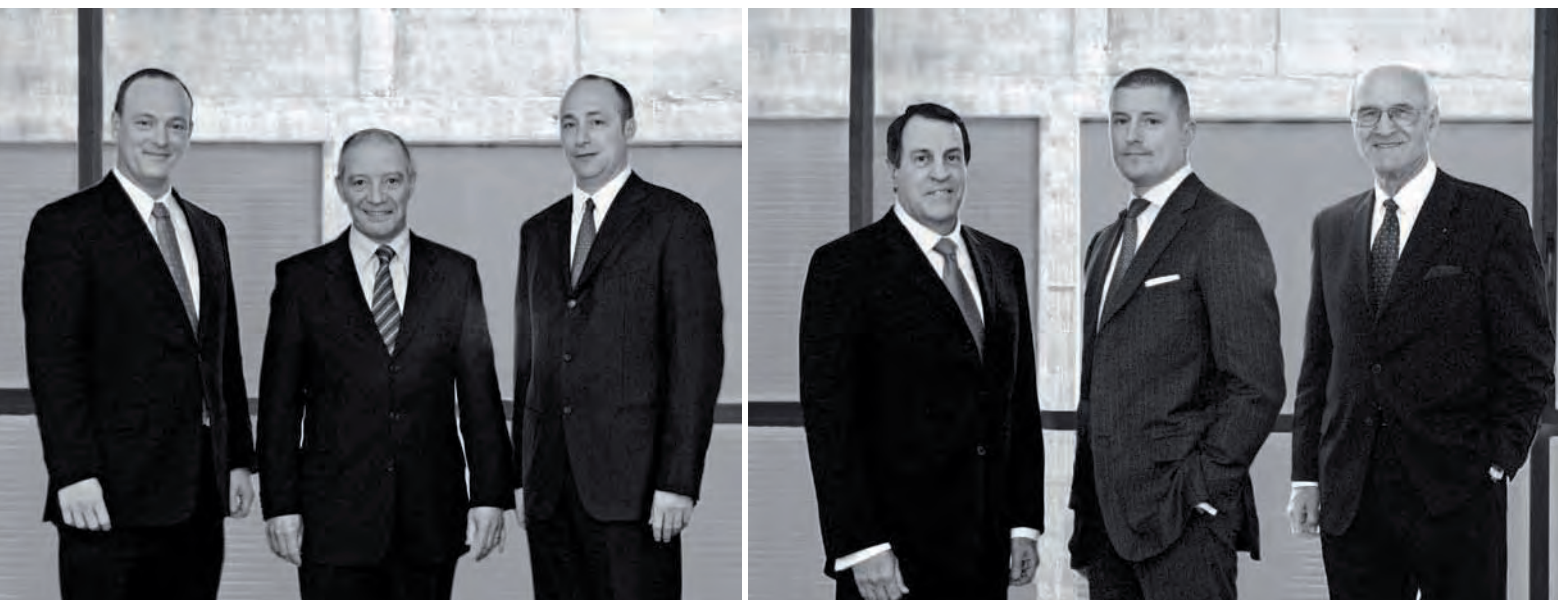
Dr. Dominik Köchlin holds a doctorate in law from the University of Berne and an MBA from INSEAD Fontainebleau, France. Until 2001, he served several years as a Member of the Swisscom Management Board. Since 2001, he has served on the Board of Trustees of LGT Bank in Liechtenstein and on the Board of Directors of EGL AG, Clariant AG and a number of unlisted companies. He is also a Member of the Board of the University of Basel.

Martin Hellweg Born in 1967, German citizen, Member of the Board of Directors since 2004 and CEO of the Swissmetal Group since June 2003.

Martin Hellweg studied economics at Ruhruniversität Bochum (Germany) and later received an MBA at the Simon Graduate School of Business at the University of Rochester in New York. During his career, he has mainly specialized in the financing, restructuring and re-

Board of Directors from left to right:

Martin Hellweg, Dr. J. Friedrich Sauerländer, Dr. Dominik Köchlin, Ralph Glassberg, Dr. Roger Bühler and Max Locher



positioning of companies. In addition to his present duties at the Swissmetal Group, Martin Hellweg is Managing Partner and Chairman of the Board of Directors of Ally Management Group AG, Zurich.

Max Locher Born in 1941, Swiss citizen, Member of the Board of Directors since 2004.

After his apprenticeship in commerce, Max Locher held various positions during his career at the Aluisse Group. He served as regional CEO of an extrusion plant in France and Project Manager and General Manager of an aluminum extrusion plant in Nigeria. He became Head of Sales in 1977 and served from 1984 to 2005 as General Manager of Aluminium Laufen AG in Liesberg, where he has been Chairman of the Board of Directors since April 2005.

Ralph Glassberg Born in 1944, US citizen, Member of the Executive Board of Avins International AG, Dornach, since 2007, Member of the Board of Directors since 2006 and President of Avins USA Inc., Warren/NJ, since 1989.

He graduated in industrial and management engineering at Columbia University before gaining an MBA in accounting and finance from the New York University Graduate School of Business Administration. He began his career at Edith Fornarotto, a manufacturer of high-end women's sportswear. In 1970, he joined Avins USA Inc., Warren/NJ, as a sales engineer, in turn becoming Vice President of Sales in 1972 and President in 1989.

Dr. Roger Bühler Born in 1972, Swiss citizen, Member of the Board of Directors since 2006.

He holds a degree and doctorate in economics and business administration from the University of Basel and is a CFA Charter Holder. Dr. Roger Bühler has extensive experience in corporate finance and investment management. He has been investment director at Laxey Partners Ltd, London and the Isle of Man, since 2003. Previously, he was with Active Value Advisors Ltd, London and Geneva. Between 2000 and 2002 he worked in the merchant banking division of A&A Actienbank in Zurich, and spent 1997 to 2000 in corporate finance at PricewaterhouseCoopers, also in Zurich. He is a director of MachHitech and Laxey Partners. Laxey Partners has a significant shareholding in Swissmetal.

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 elected in its entirety by the Annual General Meeting. The term of office is normally one year and will last for all members until the Annual General Meeting for the 2008 financial year on 14 May 2009. Members of the Board of Directors may be elected at any time.

3.4 Internal organizational structure The Board of Directors comprises the persons named in section 3.1. Dr. J. Friedrich Sauerländer has been Chairman of the Board of Directors since 10 June 2005. Dr. Dominik Köchlin has been Vice Chairman and Martin Hellweg CEO since 1 July 2004. Sam V. Furrer has served as the external Secretary of the Board of Directors since 1 July 2004. The Chairman may convene as many meetings as business requires. Each Member of the Board of Directors may also request that the Chairman convene a meeting immediately, stating their 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 71a.1 and 71a.2 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 statements. 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.

Spread over 2008, the Board of Directors held ten ordinary meetings (2007: 9) lasting an average of three to five hours each as well as five teleconferences (2007: 7) and resolutions adopted by correspondence.

An agenda is prepared for each meeting of the Board of Directors containing the topics regularly discussed by the Board. These include the approval of the minutes, course of business, the current status of pending capital investment projects in the plants, quarterly pension fund reports and quarterly reports from the Innovation & Business Development department. In discussing the course of business, the Board of Directors addresses the current developments in each market

segment and regional market, the liquidity situation and the operational situation in the plants. Additionally, further items are added to the agenda as needed, such as status reports on major projects – in 2008 these included ATMOVA and the adaptation of the Internal Control System (ICS) to the requirements of the Swiss Code of Obligations – and current issues where decisions are needed, such as investments that were not yet under consideration at the time the 2008 budget was approved. All the Board of Directors' topics are generally discussed in the presence of the responsible Member of the Executive Management. The latter also generally submits proposals for decisions. When discussing matters internal to the Board of Directors and human resources matters at the Executive Management level, the Board meets with no non-members present. Depending on the matter at hand, external advisers may be invited to attend Board meetings. For instance, financial experts were present during certain meetings for the discussion of the implementation of the Swissmetal's industry consolidation strategy.

Two Sub-Committees have been founded, an Audit Committee and a Finance Committee.

The Charter of the Audit Committee sets out the duties and powers of the Audit Committee, which consists of Dr. Dominik Köchlin (Chairman), Dr. J. Friedrich Sauerländer and Dr. Roger Bühler. The Audit Committee monitors the financial and accounting processes and systems of the Swissmetal Group, evaluates the independence and effectiveness of the external auditors and ensures the flow of communication between management, the finance department, the auditors and the Board of Directors. The Audit Committee makes appropriate recommendations to the Board of Directors. The allocation of duties and powers among the Board of Directors and the Executive Management is set out primarily in the Organizational Regulations and their Annex on the Allocation of Powers.

The Committee's main tasks are:

- 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 has been given 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 2008, the Audit Committee met on four occasions (2007: three), two meetings at the beginning, one at the middle and one at the end of the year. 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.

The Board of Directors decided to form a Finance Committee consisting of Dr. J. Friedrich Sauerländer, Dr. Roger Bühler, Dr. Dominik Köchlin, and Martin Hellweg. The mandate of the Finance Committee is to analyze M&A opportunities for Swissmetal Group whenever such opportunities become apparent, derive conclusions and bring forward recommendations to the Board of Directors. Since the Finance Committee is only a discussion body and does not make any formal decisions, no formal structures (Chairman, Vice-Chairman, regular meeting schedules etc.) have been established, and no extra compensation is rewarded to its members. The Finance Committee may engage external advisors (such as financial advisors) for its activities.

Discussions have primarily taken place in telephone conferences and in written form. The Finance Committee had no formal meetings. All decisions related to M&A issues have been made by the whole Board of Directors during the regular Board meetings.

Members of the Executive Management always attend meetings of the Board of Directors and the Sub-Committee if expert knowledge from their areas is sought. The Chief Financial Officer is therefore often present at meetings.

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 CEO and the Executive Management. The delineation of duties and powers among the Board of Directors, CEO, Executive Management and other management personnel is governed by the Organizational Regulations and their Annexes. Operational management comprises all business management tasks not reserved to the Board of Directors by law, the Articles of Incorporation, the Organizational Regulations, their Annex and any specific resolutions of the Board of Directors.

The CEO 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, which comprises the senior managers required for the conduct of business. He is accountable for the Swissmetal Group's earnings and is, among other things, responsible for drafting the corporate strategy and implementing it once it has been approved by the Board of Directors.

The other Members of the Executive Management, who number six as of 31 December 2008 and currently seven, are nominated by the CEO, appointed by the Board of Directors and report to the CEO. The other Members of the Executive Management, which comprises the senior managers needed for the conduct of business, are, together with the CEO and within the scope of the strategy approved by the Board of Directors, responsible for operational management of the company and of the Swissmetal Group. The Members of the Executive Management are further responsible for business relevant to their respective departments. They are authorized to delegate responsibility and are required to approve 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 meet every week; these meetings last alternating one and three hours, respectively.

Executives, i.e. individuals with direct management responsibility or advanced technical responsibilities, together with the Executive Management make up the Management Circle, which generally meets twice a year for a workshop where current strategic and operational topics are discussed, guidelines for management conduct are devised and objectives are set for general operational collaboration. As in 2007, two of these conferences were held in 2008, one of them focused

on the creation of innovative strategic ideas, the second one was geared to discuss ways to improve our overall operational performance.

3.6 Information and control instruments The Executive Management informs the Board of Directors of the strategic and operational developments at every Board meeting. The monthly Management Report on current financial and operational indicators serves as the basis for discussion of the course of business. The management report contains an executive summary providing the Board of Directors with a written review of the previous month. The other pages present time series charts of new orders, sales and outstanding orders.

Information prepared for meetings of the Board of Directors is submitted about one week in advance. At the Board of Directors meeting those Members of the Executive Management invited to attend according to the agenda often deliver verbal reports.

Twice a year, the external auditors (PricewaterhouseCoopers AG, Basel) draft a Management Letter to the attention of the Audit Committee, the Board of Directors and the Executive Management containing recommendations for improvements.

4. EXECUTIVE MANAGEMENT

4.1 Members of the Executive Management The following reflects the status of the Swissmetal Group as at 31 December 2008. Members of the Executive Management have a permanent contract of employment and are responsible for all the tasks related to operational management that are not exclusively reserved for the Board of Directors.

Martin Hellweg Born in 1967, German citizen, Member of the Board of Directors since 2004 and CEO of the Swissmetal Group since June 2003.

Martin Hellweg studied economics at Ruhruniversität Bochum (Germany) and later received an MBA at the Simon Graduate School of Business at the University of Rochester in New York. During his career, he has mainly specialized in the financing, restructuring and repositioning of companies. In addition to his present duties at the Swissmetal Group, Martin Hellweg is Managing Partner and Chairman of the Board of Directors of Ally Management Group AG, Zurich.

Volker Suchordt Born in 1947, German citizen, Member of the Executive Management since February 2006 in his capacity as Executive Vice President Own Manufactured Products and Quality, Safety and Environment.

Volker Suchordt studied metal science at the universities of Dortmund and Bochum with a focus on metallurgy and metalworking technologies. He has many years' experience in copper semi-finished goods, acquired at the VDM wire, band and coin plant, Swissmetal Busch-Jaeger and the Thyssen Krupp-VDM wire plant. Most recently, he restructured Busch-Jaeger Metallwerk GmbH, now Swissmetal Lüdenscheid GmbH, into a highly competitive provider of high-grade specialty products.

Joachim Blatter Born in 1959, German citizen, Chief Financial Officer (CFO) and Member of Executive Management since October 2008.

Joachim Blatter studied Economics at the University of Freiburg (Breisgau) and the University of Collogne. In 1997 he graduated as a Certified Management Accountant (CMA) and in 2006 as a Certified Financial Manager (CFM) at the Institute of Management Accountants in Montvale/NJ, USA. During the course of his career Joachim Blatter had various functions in the financial sector at corporate as well as operational levels in international groups working in the metal industry. He worked last at Alcan as CFO for the Alcan Singen GmbH and as CFO and Managing Director for the Alcan Holdings Germany.

Sam V. Furrer Born in 1966, Swiss citizen, Chief Development Officer (CDO) and Member of Group Management since July 2004, Member of Executive Management since July 2007.

Sam V. Furrer holds a degree in management from the University of St. Gallen. He has worked for Arthur D. Little and other consulting firms in strategy development and implementation, change management and enterprise development. During his consulting career he acquired extensive expertise in various industries including petroleum, cement, postal services, electronics and telecommunications. In addition to his work as CDO, Sam V. Furrer was Head of Human Resources from July 2004 to January 2006.

Martin Heuschkel Born in 1962, French citizen, Member of Group Management as SVP It, Processes & Systems since December 2003 and SVP Design Solutions since July 2007; Member of Executive Management since July 2007.

Martin Heuschkel holds a bachelor's degree in electrical engineering from Basel Technical University, an MBA from the Simon Graduate School of Business at the University of Rochester in New York and an Executive MBA from the University of Berne. Before joining the Swissmetal Group, he worked for five years for a Swiss management consultancy on international projects, seven years as the CTO of an international logistics group and four years in the IT and security systems department of a major Swiss bank. From 2005 to June 2007 he was also responsible for quality, safety and environmental protection at Swissmetal. He is also Vice Chairman of the Board of Directors of Swiss Data Safe AG in Amsteg.

Executive Management from left to right:

Martin Hellweg, Volker Suchordt, Joachim Blatter, Greg Himstead, Sam V. Furrer, Laura Rossini and Martin Heuschkel



Laura Rossini Born in 1970, Swiss and Italian citizen, Head of Human Resources and Member of Group Management since January 2006, Member of Executive Management since July 2007.

Laura Rossini studied foreign languages with a focus on law and business at the Free University of Cologne. She then completed a number of advanced training programs in finance and human resources, which she has worked within for eleven years. She has solid human resources experience both in strategic matters (assessment, recruitment, management development) at international industrial groups such as Hilti and Holcim and in operational matters as the Head of human resources at a small manufacturer. She joined the Swissmetal Group in March 2005 in a staff position as HR Manager of Development and Projects, before becoming Head of Human Resources.

Greg Himstead Born 1964, US citizen, Head of Sales and Marketing, CEO of Avins International Ltd, Dornach, and Member of the Group Management since January 2007, Member of Executive Management since July 2007 and Chief Sales Officer since December 2008.

Greg Himstead has degrees in physics from Hamilton College and mechanical engineering from Columbia University, School of Engineering & Applied Sciences, and an MBA from the NYU Stern School of Business. Before joining the Swissmetal Group, he worked at Avins USA Inc., Warren/NJ, as Sales Engineer from 1989, Sales Manager from 1997 and Vice President Sales and Marketing from 2001. He has extensive experience in sales, marketing, mechanical engineering and strategic alliances.

Changes since 31 December 2008

Jean-Pierre Tardent Born in 1954, Swiss citizen, SVP R&D, Technical Marketing and Quality Management and Member of Group Management since July 2004, Member of the Executive Management since January 2009.

Jean-Pierre Tardent holds a degree in materials science from EPFL Lausanne and began his career with the Swissmetal Group in 1982. He first managed research projects, prior to moving on to become an operating metallurgist, Head of Research and Development at the Reconvilier plant and Head of Technical Marketing. He possesses substantial experience in copper alloys and their applications as well as manufacturing processes.

During the last three years, he was responsible for the market qualification of the most recent product innovations highly demanding industries as aircraft manufacturer, oil drilling and connector industry. In addition,

he manages the product manager team since 2008, and he has also developed a completely new pricing system for the entire company and ensured the management of key accounts.

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

5.1 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 and the other Members of the Management Circle receive a salary, expenses in line with expenditures (in accordance with the regulations on expenses) and a performance-related bonus (in accordance with the rules of the bonus program) based on the change in value added. Thus, the amount of the variable pay component is tied to a defined Group target.

The aim of the bonus program is to tie the variable compensation for participants in the plan to the long-term increase in the value of the Swissmetal Group. The concept is based on the value added principle and a plan that lasts several years in line with shareholder expectations. The main advantage of the value added concept is that it not only measures growth in sales and profitability, but also takes account of the resources used for these increases and the additional capital costs involved. The Management Circle receives a variable salary component in addition to the fixed salary stipulated in the contract of employment. The amount to be paid out depends on the change in the value added in the current financial year and the past financial years and on the Swissmetal Group's budget/business plan. The multiplier for calculating the amount available for bonus payments is computed from the increase in value per financial year. The available amount is credited to a bonus bank and only partially paid out. Any balance is carried forward to the next year. It is possible for the bonus for a financial year to be neg-

ative if there is negative value added. This has the effect of (partially) neutralizing any positive balance in the bonus bank and of less or nothing at all being paid out. Thus, the company takes account of both positive and negative fluctuations in business performance and ensures that variable compensation contains a long-term component. The target bandwidth for the variable bonus is 15% to 30% of the fixed salary, depending on level of responsibility.

The Board of Directors determines key figures in relation to the available bonus amount and based on the business plan (consolidated figures).

These were determined for 2006 to 2010 in January 2006. In 2008 some key figures have been revised. The Board of Directors uses the services of an external consultancy specializing in compensation programs in devising and updating the bonus program.

The Board of Directors and Executive Management regard it as desirable for executives to personally own Swissmetal shares. Accordingly, an employee share ownership program has been established. Swissmetal also supports investment in Swissmetal shares on the part of the Executive Management by extending personal loans. They can use these loans to purchase shares at the market price; the shares are locked in for a certain period.

The Board of Directors launched an employee share ownership program in the second quarter of 2007 as well as in the second quarter of 2008. The Board of Directors and the Members of the Management Circle may subscribe different quantities of shares under preferential terms. These shares are locked in for two years. The program may be repeated with the same volume in 2009. The Executive Management is again working with external consultants in implementing this program.

5.2 Compensation for active Members of the Board of Directors Total compensation paid or deferred in the 2008 financial year breaks down as follows:

Note on the bonus bank: The agreed value added target for the financial year 2007 was not reached. Therefore, an individual bonus that was smaller than the target bonus was paid out. In addition to that, a portion of the bonus bank balance of the previous year was paid out. The remainder was carried forward in the bonus bank and offset against the 2008 bonus. The line "Bonus" in the compensation table 2008 now indicates the amount actually paid out for 2008. The 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 for 2008. Adding the lines "Bonus" and "Bonus bank pay-out (negative value) and deduction (positive value), respectively" yields the negative expense figure stated in the 2008 Income Statement.

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

Compensation 2008 (CHF)	Dr. J. Friedrich Sauerländer Chairman	Dr. Dominik Köchlin Vice Chairman	Martin Hellweg⁶ Member and Delegate	Max Locher Member	Ralph Glassberg⁷ Member	Dr. Roger Bühler Member	Total BoD
Compensation (cash)							
Pay (fixed)							
Chairman of BoD	100,000						100,000
Vice Chairman of the BoD		75,000					75,000
Member of the BoD			0	50,000	50,000	50,000	150,000
Chairman of the AC		15,000					15,000
Member of the AC	15,000					15,000	30,000
Executive function			415,992		81,875		497,867
Pay (variable)							
Nordstern bonus			0				0
Other bonuses ¹					95,737		95,737
Shares/Options²							
Advantage from share purchase at reduced price ³	10,550	10,550	63,300				84,400
Remuneration for additional work							
Additional services above and beyond regular duties ⁴	60,000						60,000
Total compensation (cash)	185,550	100,550	479,292	50,000	227,612	65,000	1,108,004
Compensation (non-cash)							
Bonus bank opening balance			95,216				
Bonus bank pay-out (negative value) and deduction (positive value), respectively			-95,216				-95,216
Bonus bank closing balance			0				
Benefits in kind ²			28,889		2,816		31,705
Pension expenses ⁵	8,324	5,964	75,416	1,747	34,749	0	126,200
Total compensation (non-cash)	8,324	5,964	9,089	1,747	37,565	0	62,689
Total compensation	193,874	106,514	488,381	51,747	265,177	65,000	1,170,693

¹ Ralph Glassberg does not participate in the Nordstern bonus program.

² Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.

⁵ Employer's share

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

⁷ In addition to compensation for his service on the Board of Directors, Ralph Glassberg receives compensation as CEO of Avins USA Inc., Warren/NJ.

Compensation 2007 (CHF)	Dr. J. Friedrich Sauerländer Chairman	Dr. Dominik Köchlin Vice Chair- man	Martin Hellweg⁶ Member and Delegate	Max Locher Member	Ralph Glassberg⁷ Member	Dr. Roger Bühler Member	Total BoD
Compensation (cash)							
Pay (fixed)							
Chairman of BoD	100,000						100,000
Vice Chairman of the BoD		75,000					75,000
Member of the BoD			0	50,000	50,000	50,000	150,000
Chairman of the AC		15,000					15,000
Member of the AC	15,000					15,000	30,000
Executive function			415,992		76,200		492,192
Pay (variable)							
Nordstern bonus			463,600				463,600
Other bonuses ¹					222,000		222,000
Shares / Options²							
Advantage from share purchase at reduced price ³	13,600	13,600	81,600				108,800
Remuneration for additional work							
Additional services above and beyond regular duties ⁴	57,500			3,750			61,250
Total compensation (cash)	186,100	103,600	961,192	53,750	348,200	65,000	1,717,842
Compensation (non-cash)							
Bonus bank opening balance			238,502				
Bonus bank pay-out (negative value) and deduction (positive value), respectively			-143,286				-143,286
Bonus bank closing balance			95,216				
Benefits in kind ²			30,540		2,520		33,060
Pension expenses ⁵	7,863	4,650	143,513	1,866	36,571	0	194,463
Total compensation (non-cash)	7,863	4,650	30,767	1,866	39,091	0	84,237
Total compensation	193,963	108,250	991,959	55,616	387,291	65,000	1,802,079

¹ Ralph Glassberg does not participate in the Nordstern bonus program.

² Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.

⁵ Employer's share

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

⁷ In addition to compensation for his service on the Board of Directors, Ralph Glassberg receives compensation as CEO of Avins Industrial Products Corp., Warren, NJ.

Compensation 2008 (CHF)	Individual with highest compensation: CEO ⁶	Other Executive Management Members	Total
Compensation (cash)			
Pay (fixed)			
Member	415,992	1,374,787	1,790,779
Pay (variable)			
Nordstern bonus	0	0	0
Other bonuses ¹		120,407	120,407
Shares/options²			
Advantage from share purchase at reduced price ³	63,300	126,600	189,900
Remuneration for additional work			
Additional services above and beyond regular duties		10,008	10,008
Total compensation (cash)	479,292	1,631,802	2,111,094
Compensation (non-cash)			
Bonus bank opening balance	95,216	168,161	263,377
Bonus bank pay-out (negative value) and deduction (positive value), respectively	-95,216	-168,161	-263,377
Bonus bank closing balance	0	0	0
Benefits in kind	28,889	86,240	115,129
Pension expenses ⁴	75,416	255,075	330,491
Total compensation (non-cash)	9,089	173,154	182,243
Total compensation	488,381	1,804,956	2,293,337
Loans/credits 2008 (CHF)			
Loans ⁵		231,889	231,889
Loans		231,889	231,889

¹ The Board of Directors may grant bonuses based on individual merit.

² There are no outstanding options.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ Employer's share

⁵ The loan was used to finance the acquisition of shares that are locked in for a certain period.

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

5.3 Compensation for active Members of the Executive Management Total compensation paid or deferred in the 2008 financial year breaks down as follows:

Note on the bonus bank: The agreed value added target for the financial year 2007 was not reached. Therefore, an individual bonus that was smaller than the target bonus was paid out. In addition to that a portion of the bonus bank balance of the previous year was paid out. The target bonus plus one-third of the amount exceeding the target was paid out. The remainder was carried forward in the bonus bank and offset against the 2008 bonus. The line

"Bonus" in the compensation table 2008 now indicates the amount actually paid out for 2008. The 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 for 2008. Adding the lines "Bonus" and "Bonus bank pay-out (negative value) and deduction (positive value), respectively" yields the negative expense figure stated in the 2008 Income Statement.

The interest rate on this loan provided to two Executive Management Members is 2% per annum. The loans are for a term of four years. The locked-in shares acquired with these loans serve as security. There are no

Compensation 2007 (CHF)	Individual with highest compensation: CEO⁶	Other Executive Management Members	Total
Compensation (cash)			
Pay (fixed)			
Member	415,992	1,238,254	1,654,246
Pay (variable)			
Nordstern bonus	463,600	458,931	922,531
Other bonuses ¹		50,000	50,000
Shares/options²			
Advantage from share purchase at reduced price ³	81,600	122,400	204,000
Remuneration for additional work			
Additional services above and beyond regular duties		10,008	10,008
Total compensation (cash)	961,192	1,879,593	2,840,785
Compensation (non-cash)			
Bonus bank opening balance	238,502	329,107	567,609
Bonus bank pay-out (negative value) and deduction (positive value), respectively	-143,286	-160,946	-304,232
Bonus bank closing balance	95,216	168,161	263,377
Benefits in kind	30,540	119,134	149,674
Pension expenses ⁴	143,513	274,099	417,612
Total compensation (non-cash)	30,767	232,287	263,054
Total compensation	991,959	2,111,880	3,103,839
Loans/credits 2007 (CHF)			
Loans ⁵		60,750	60,750
Loans		60,750	60,750

¹ The Board of Directors may grant bonuses based on individual merit.

² There are no outstanding options.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ Employer's share

⁵ The loan was used to finance the acquisition of shares that are locked in for a certain period.

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

other loans to Members of the Executive Management for purposes of the SWX Directive.

5.4 Compensation for former members of governing bodies No compensation or severance payments within the meaning of the SWX Directive went to former Members of the Board of Directors or Executive Management who left during or before 2008; they received only their contractual or agreed notice entitlements.

5.5 Share allotment in the year under review During negotiation of new employment contracts, 1,000 shares were allotted to a Member of the Executive

Management. With the entry of a new Member in the Executive Management, 9,000 shares were allotted in 2008 according to the contract of employment (6,000 shares until 1 October 2010; 3,000 shares until 15 December 2010). All these shares are locked in for three years.

Members of the Board of Directors and Executive Management also had the opportunity to acquire up to 47,000 shares (2007: 32,000) in all under the employee share ownership program.

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

Number of shares (votes)	2008	2007
Dr. J. Friedrich Sauerländer Chairman of the BoD	5,000	4,000
Dr. Dominik Köchlin Vice Chairman	3,000	2,000
Max Locher Member	801	801
Ralph Glassberg Member	133,333	160,000
Dr. Roger Bühler* Member	0	0
Martin Hellweg CEO	60,000	63,525
Volker Suchordt EVP Own Manufactured Products and Quality, Safety & Environment	18,000	18,000
Sam V. Furrer Chief Development Officer	9,000	3,000
Martin Heuschkel SVP Design Solutions and Chief Information Officer	1,500	1,500
Laura Rossini SVP Human Resources	1,000	0
Joachim Blatter Chief Financial Officer	9,000	–
Greg Himstead SVP Head of Sales and Marketing	10,500	3,000

* The major shareholder Laxey Partners is not a closely linked party in the meaning of the SWX Directive in respect of its representative on the Board of Directors. For that reason, the number of shares it holds is not included. (See also section 1.2 Significant shareholders)

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

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 Annual 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 inclusion in the agenda of 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 the 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 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. Industrial consolidation is a cornerstone of the corporate strategy defined and implemented by Swissmetal. The Swissmetal Group rewards progress in this area by awarding performance-related bonuses. In connection with this, the Board of Directors agreed to bonuses of various sizes with the seven Members of the Executive Management, six other senior executives and Members of the Board of Directors and Executive Management who had worked on special projects connected with industrial consolidation. 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 payable to the recipients mentioned above may reach a maximum total of CHF 4.3 million. 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 AG, Basel, has held the auditor's mandate for the Swissmetal Group since 1986. In 2008, Dr. Daniel Suter was the lead auditor for the annual financial statements, from 2004 to 2007, Gerd Tritschler was in charge of this function. 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 388,000 (2007: CHF 667,000).

8.3 Additional fees The fees for additional services associated with the planned acquisition of RM Precision Swiss Inc., Las Vegas/NV, USA, and various tax services for Swissmetal Holding Ltd, Dornach, or one of its subsidiaries amounted to CHF 439,866 for the year under review (2007: CHF 784,600).

8.4 Supervisory and control instruments pertaining to the audit The Audit Committee of the Board of Directors reviews the independence and performance of the external auditors and makes recommendations to the Board of Directors. The auditors submit regular reports to the Executive Management and the Board of Directors containing the results of its work and recommendations. The Board of Directors is aided by the audit plan concerning audit strategy/procedure, the two Management Letters (one after the preliminary audit and one after the final audit), the Report to the Board of Directors and the Auditors' Reports.

Among the issues discussed with the Audit Committee are the audit procedure, the milestones and the key audit findings. A meeting is held with the Board of Directors to discuss the annual financial statements prior to their approval by this body. In 2008, at least one representative of the auditors attended four (2007: one) meetings of the Audit Committee and four (2007: one) occasions of the Board of Directors.

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 and quarterly reports and the provision of background information.

Further information is available at:

www.swissmetal.com

FINANCIAL REPORT 2008

SWISSMETAL GROUP

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Unless explicitly stated otherwise, all 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 (formerly UMS Swiss Metalworks Holding Ltd) are prepared in accordance with the Swiss Code of Obligations.

CONSOLIDATED INCOME STATEMENT

SWISSMETAL GROUP

	Notes	2008		2007	
		CHF 000	%	CHF 000	%
Gross sales	01	324,871	257.0	406,959	274.0
Deductions from gross sales	02	-12,179	-9.7	-12,711	-8.6
Net sales		312,692	247.3	394,248	265.4
Cost of materials and changes in stock	03	-186,273	-147.3	-245,729	-165.4
Gross margin	04	126,419	100.0	148,519	100.0
Other operating income	05	1,419	1.1	2,079	1.4
Own work capitalized	06	1,987	1.6	331	0.2
Personnel expenses	07	-66,292	-52.4	-74,744	-50.3
Operating and administrative expenses	08	-52,322	-41.4	-47,545	-32.0
Operating income before depreciation (EBITDA)		11,211	8.9	28,640	19.3
Depreciation on property, plant and equipment	09	-10,521	-8.3	-10,584	-7.1
Depreciation on intangible assets	09	-3,043	-2.4	-3,509	-2.4
Operating income (EBIT)		-2,353	-1.8	14,547	9.8
Financial result	10	-4,279	-3.4	-2,836	-1.9
Ordinary result		-6,632	-5.2	11,711	7.9
Non-operating result	11	22	0.0	788	0.5
Extraordinary result	12	195	0.2	759	0.5
Earnings before taxes (EBT)		-6,415	-5.0	13,258	8.9
Taxes	13	-91	-0.1	-1,886	-1.2
Result for the year (EAT)		-6,506	-5.1	11,372	7.7

EBITDA: Earnings before interest, taxes, depreciation and amortization

EBIT: Earnings before interest and taxes

EBT: Earnings before taxes

EAT: Earnings after taxes

CONSOLIDATED BALANCE SHEET
SWISSMETAL GROUP

ASSETS	Notes	31.12.2008		31.12.2007	
		CHF 000	%	CHF 000	%
Current assets					
Cash and cash equivalents	14	8,205	3.9	21,065	8.9
Securities	15	155	0.1	171	0.1
Notes receivable and cheques		4	0.0	83	0.0
Trade accounts receivable	16	21,297	10.1	29,270	12.4
Other receivables	17	12,838	6.1	11,629	4.9
Loans to related parties		0	0.0	61	0.0
Stock	18	78,829	37.6	84,485	35.7
Prepaid expenses and accrued income	19	1,443	0.7	1,032	0.4
Total current assets		122,771	58.5	147,796	62.4
Fixed assets					
Property, plant and equipment	20	78,327	37.3	78,413	33.1
Financial assets	21	2,581	1.3	1,826	0.8
Intangible assets	20	6,117	2.9	8,904	3.7
Total fixed assets		87,025	41.5	89,143	37.6
TOTAL ASSETS		209,796	100.0	236,939	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
Short-term liabilities					
Interest-bearing liabilities	23	24,486	11.7	12,535	5.3
Trade accounts payable	24	18,439	8.8	25,988	11.0
Other liabilities	25	3,985	1.9	7,147	3.0
Accrued expenses and prepaid income	26	2,933	1.4	5,538	2.4
Provisions	27	3,313	1.6	771	0.3
Total short-term liabilities		53,156	25.4	51,979	21.9
Long-term liabilities					
Loan	28	19,656	9.4	30,102	12.7
Other liabilities	25	13	0.0	989	0.4
Provisions	27	12,892	6.1	15,764	6.7
Total long-term liabilities		32,561	15.5	46,855	19.8
Total liabilities		85,717	40.9	98,834	41.7
Shareholders' equity	29				
Share capital		59,617	28.4	59,617	25.2
Capital reserves		37,568	17.9	38,842	16.4
Own shares		-6,436	-3.1	-3,012	-1.3
Cumulated exchange rate translation differences		-2,667	-1.3	155	0.1
Retained earnings		35,997	17.2	42,503	17.9
Total shareholders' equity		124,079	59.1	138,105	58.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		209,796	100.0	236,939	100.0

CONSOLIDATED CASH FLOW STATEMENT

SWISSMETAL GROUP

CHF 000	2008	2007
Cash flow from operating activities		
Result for the year	-6,506	11,372
Depreciation on property, plant and equipment and intangible assets	13,564	14,093
Change in provisions		
· Short-term	563	164
· Long-term	167	-2,252
Other non-cash income statement items	-528	-494
Cash flow before change in net current assets	7,260	22,883
Change in securities	0	-102
Change in trade accounts receivable	6,717	6,460
Change in other receivables prepaid expenses and accrued income	-1,687	148
Change in stock	2,366	-7,516
Change in trade accounts payable	-6,786	-12,962
Change in other short-term liabilities and accrued expenses and prepaid income	-6,374	-764
Total cash flow from operating activities	1,496	8,147
Cash flow from investing activities		
Acquisition of property, plant and equipment*	-12,196	-10,995
Disposal of property, plant and equipment	55	1,308
Acquisition of intangible assets	-112	-1,252
Change in long-term financial assets	0	1,960
Acquisition of shareholdings and long-term securities**	0	-7,012
Total cash flow from investing activities	-12,253	-15,991
Free cash flow	-10,757	-7,844
Cash flow from financing activities		
Increase in liabilities to banks	2,730	6,642
Change in loans	0	-2
Proceeds from capital increase (incl. premium)	0	2,129
Change in own shares	-4,698	-313
Total cash flow from financing activities	-1,968	8,456
Effect of exchange rate on cash and cash equivalents	-135	55
Net change in cash and cash equivalents	-12,860	667
Cash and cash equivalents as at 1 January	21,065	20,398
Cash and cash equivalents as at 31 December	8,205	21,065

* This item includes CHF 1.7 million development costs of the ATMOVA system.

** This item includes the acquisition of Avins USA Inc., Warren/NJ, in 2007.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SWISSMETAL GROUP

CHF 000	Share capital	Capital reserves ¹	Own shares	Exchange rate translation differences	Cumulated	Retained earnings ²	Total ³
Balance as at 1 January 2007	58,910	37,420	-2,699		328	32,345	126,304
Restatement						-1,500	-1,500
Balance as at 1 January 2007 (after restatement)	58,910	37,420	-2,699		328	30,845	124,804
Transactions with own shares			-313			286	-27
Capital Increase	707	1,422					2,129
Result for the year						11,372	11,372
Exchange rate translation differences					-173		-173
Balance as at 1 January 2008	59,617	38,842	-3,012		155	42,503	138,105
Purchase of own shares			-5,805				-5,805
Sale of own shares		-1,274	2,381				1,107
Result for the year						-6,506	-6,506
Exchange rate translation differences ⁴					-2,822		-2,822
Balance as at 31 December 2008	59,617	37,568	-6,436		-2,667	35,997	124,079

¹ Includes retained statutory reserves and shareholders' equity transaction costs

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

³ In 2007 and 2008, there are no minority interests

⁴ This figure includes the translation difference of CHF 1.2 million regarding a loan with equity character. No restatement was made in 2007 as the amount was not material.

As at 31 December 2008, the share capital of Swissmetal Holding Ltd, Dornach, was CHF 59,616,954 (2007: CHF 59,616,954), divided into 6,624,106 (2007: 6,624,106) bearer shares of nominal CHF 9.00. Capital reserves amounting to CHF 37.6 million. There are CHF 42.9 million non-distributable reserves for the individual companies. Retained earnings contain the restatement as of 1 January 2007. In 2008, the share capital remained unchanged. (See also Restatement of the social plan)

The General Meeting held on 16 May 2007 approved the creation of conditional capital. The share capital can 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 held 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 further two years, in fact until the 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.

In the position "Own shares" additional CHF 3.4 million were deducted in accordance with Swiss GAAP FER 24, due to the net purchase of 203,576 own shares in 2008.

Own shares	Number	Average price (CHF)
Balance as of 1 January 2008	145,000	31.81
Sale to employees	-7,192	23.05
Purchase	241,166	22.65
Sale to employees (share participation program)*	-36,900	21.10
Sale to employees	-11,000	14.28
Purchase	17,502	19.96
Balance as of 31 December 2008	348,576	23.06

* Shares in connection with participation program have been sold to the employees for half the price per share. The other half has been paid by Swissmetal.

As of 31 December 2007, the portfolio of own shares was made up of 145,000 shares, which represents an increase of 11,000 shares compared to 31 December 2006. The Swissmetal Group increased the number of own shares in January 2007 to partially finance the acquisition of Avins Industrial Products Corp., Warren/NJ, with own shares. In January 2007, after this acquisition, which required altogether 120,000 shares as part of the

purchase price, the amount of own shares decreased. Swissmetal Holding Ltd, Dornach, sold further 3,000 shares in connection with share-based payments to the employees. In the further course of 2007, the Swissmetal Group increased the amount of own shares again.

The own shares are held for potential prospective acquisitions as well as for the employee share participation program. At the present, no derivative instruments on own shares are outstanding. At the end of the year 2008, Swissmetal Group held 348,576 own shares. A total of 258,668 own shares were purchased and 55,092 shares were granted to employees, thereof 36,900 shares for the share participation program.

The consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and the notes) as of 31 December 2008 have been approved by the Board of Directors of the Swissmetal Group on 27 March 2009.

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 2008 comprised the following companies:

- Swissmetal Holding Ltd (formerly UMS Swiss Metalworks Holding Ltd), Dornach, Switzerland
- Swissmetal Industries Ltd (formerly Swissmetal – UMS Swiss Metalworks Ltd), Dornach, Switzerland, with plants in Reconvilier and Dornach (wholly owned)
- Swissmetal Lüdenscheid GmbH, Lüdenscheid, Germany (wholly owned)
- Avins Germany GmbH, Lüdenscheid, Deutschland (wholly owned)
- Avins International Ltd, Dornach, Switzerland (wholly owned)
- Avins USA Inc. (formerly Avins Industrial Products Corporation), Warren/NJ, USA (wholly owned)
- Swissmetal Design Solutions Ltd, Dornach, Switzerland (wholly owned)
- Avins Switzerland Ltd, Dornach, Switzerland (wholly owned)

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 in accordance with the entire Swiss GAAP FER framework.

Equity is consolidated in accordance with the purchase method (revaluation 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, assets, liabilities and equity, as well as expenses and income of consolidated companies are fully recognized. The minority interests' share 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 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

The assets, liabilities and the equity of the Swissmetal Group are valued in accordance with the entire Swiss GAAP FER framework and therefore based on a "true and fair view" (cost less operationally required adjustments). Deferred taxes on untaxed reserves are calculated using the future expected tax rates and recognized as provisions.

STOCK The method for valuing stocks is adjusted to operating requirements. Production companies value raw and own manufactured (metal content) metals using the LIFO principle (last-in-first-out), taking into account the purchase and delivery obligations existing as of the balance sheet date. Stocks of trading companies are recognized at average cost. Stocks are recognized on a full-cost basis. 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. Gain and losses from receivables and liabilities, after adjusting for open hedges, are likewise recognized in the income statement.

The balance sheets of foreign Group companies are translated using the current rate method at the year-end rates as of 31 December 2008 and 31 December 2007, respectively. Translation differences from loans with equity character are recorded in the exchange rate translation differences within equity due to early adaptation of a new Swiss GAAP FER change in accounting principle in 2008. The 2007 figures were not restated as the translation differences were not material.

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	2008		2007	
	Balance sheet	Income statement	Balance sheet	Income statement
1 EUR	1.489	1.587	1.659	1.643
1 USD	1.056	1.083	1.127	1.200
1 GBP	1.529	2.001	2.250	2.402

Maturities Receivables and liabilities with an economic life of more than 12 months are classified as non-current. Portions of non-current items that become due within 12 months are reclassified as current.

Research and development Direct research and development expenses totaled CHF 2.4 million in 2008 (previous year: CHF 0.7 million), thereof CHF 1.7 million were capitalized due to present development stage of the ATMOVA system and CHF 0.7 million (previous year: CHF 0.7 million) recognized in the income statement. Personnel costs of CHF 0.9 million (previous year: CHF 0.3 million) accounted for the largest portion of the research and development expenses. In addition, research and development expenses attributable to the various production departments are estimated at CHF 1.8 million (previous year: CHF 1.3 million).

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 value of fixed assets due to utilization and aging and is carried out based on business criteria. The corresponding rates are:

Land and buildings	Years	%
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
Technical equipment, machines, plant and office furnishings	Years	%
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
Intangible assets	Years	%
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.

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.

In this regard, all the significant pension plans are subject to Swiss law. The pension liabilities and the related pension assets are held in legally independent foundations. The organization, management and financing of the pension plans follow the Swiss occupational pensions law (BVG/LPP), the foundation charters and the respective by-laws. The pension liabilities are regularly reassessed by pension fund experts. Pursuant to Swiss GAAP FER 16, the Swissmetal Group's pension plans are defined benefit plans.

The Group companies Swissmetal Lüdenscheid GmbH, Lüdenscheid, Avins USA Inc., Warren/NJ, and Avins Germany GmbH, Lüdenscheid, do not operate independent staff pension funds. Therefore, appropriate provisions are recognized in the consolidated balance sheet.

RESTATEMENT OF THE SOCIAL PLAN

On 18 March 2009, the Board of Directors decided to restate the consolidated financial statements as of 1 January 2007 in connection with the social plan.

The originally estimated and recognized costs as of 1 January 2006 as the required provision for the social plan amounted to CHF 2.0 million. At the same time, a part of the free capital of the Welfare Fund was capitalized. This capital should be used to finance the social plan due to a legal opinion and due to the decision of the Board of the Welfare Fund. In 2007, both the provision and the free capital of the Welfare Fund were reversed again as the social plan was funded by the capital of the Welfare Fund.

The initial position in 2007 has been misinterpreted as the supervising authority does not allow the use of the free capital for this purpose.

The capturing of the social plan as provision as of 1 January 2006 was correct. The other postings made due to the misinterpretation were wrong and are corrected back to 1 January 2007. The provision remains as well in the year-end closing 2008 as Swissmetal probably has to bear the costs of the social plan. Summarizing these facts, the equity has to be reduced by CHF 1.5 million as of 1 January 2007 considering the effect of the deferred taxes.

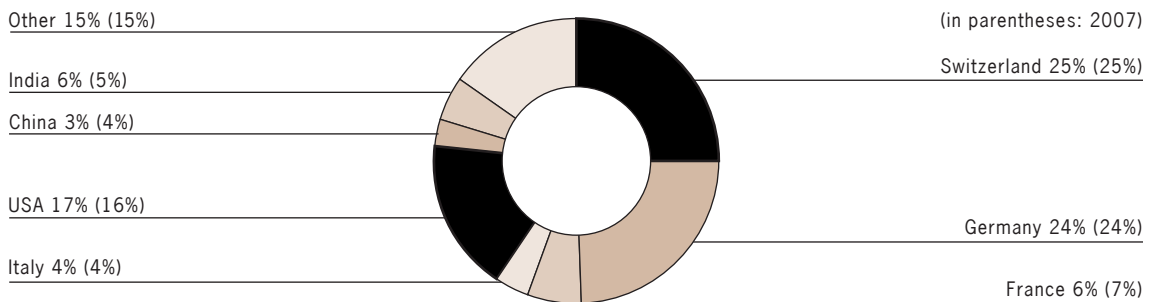
The restatement influenced the balance sheet positions' provisions and retained earnings as follows:

Balance sheet positions in financial statement 2007	Value before restatement	Restatement	Value after restatement
Provisions (long-term)	14,264	1,500	15,764
· Restructuring	0	2,000	2,000
· Deferred taxes	9,350	-500	8,850
· All other provisions cumulated	4,914	0	4,914
Retained earnings	44,003	-1,500	42,503

NOTES TO THE CONSOLIDATED INCOME STATEMENT

SWISSMETAL GROUP

1 – Gross sales In the year 2008, gross sales of CHF 324.9 million (previous year CHF 407.0 million) were generated. Of this amount, CHF 7.7 million (previous year CHF 4.0 million) is attributable to the sale of metals as part of the stock-optimization program, which benefits from improvements of business processes. Deducting the proceeds from metal sales, gross sales thus totaled CHF 317.2 million in 2008, which represents a decrease of CHF 85.8 million compared to the previous year's amount of CHF 403.0 million. The decrease reflects the fall in metal prices, the delivery bottleneck of the newly-installed extrusion press and the overall decreased business activities in the fourth quarter. The third party trading products mainly coming from Avins USA Inc., Warren/NJ, contributed CHF 22.8 million (previous year: CHF 26.4 million) in sales in the year under review. The breakdown of gross sales by geographical region after deducting the proceeds of metal sales is as follows:



The Swissmetal Group generated 49% (previous year: 49%) of its sales with companies in its home markets in Switzerland and Germany and 51% (previous year: 51%) from companies abroad. The two remaining major European markets, France and Italy, accounted for 10% of the sales (previous year: 11%). The increase in the US market from 16% in 2007 to 17% in 2008 is primarily attributable to the increased business of Avins USA Inc., Warren/NJ.

2 – Deductions from gross sales Deductions from gross sales remained constant at CHF 12.2 million. This represents a slight increase compared to the underlying gross sales.

3 – Cost of materials and changes in stock The cost of materials and changes in stock decreased by CHF 59.3 million to CHF 186.3 million compared to the previous year. This is mainly attributable to the lower metal prices compared to previous year.

4 – Gross margin The gross margin in 2008 amounted to CHF 126.4 million and was CHF 22.1 million below the previous year. The decrease reflects the fall in metal prices, the delivery bottleneck of the newly-installed extrusion press and the overall decreased business activities in the fourth quarter. Besides for the decreased business activity, benefits from the consistent continuation of the stock efficiency program are also represented in this difference. In this program, efforts are taken to reduce the stock of metals used in the production cycle. The operational stock-efficiency benefits in 2008 amounted to CHF 9.2 million (previous year: CHF 7.1 million) in terms of gross margin. These benefits were generated from physical stock sales as well as from lower purchases.

5 – Other operating income Other operating income totaled CHF 1.4 million (previous year: CHF 2.1 million). This includes particularly the income that arose from reimbursements from insurance companies.

6 – Own work capitalized Own work capitalized consists of work by the company's own staff for capital expenditures in plant, property and equipment; and increased by CHF 1.7 Mio. compared to the previous year due to the capitalization of the ATMOVA system.

7 – Personnel expenses In 2008, personnel expenses amounted to CHF 66.3 million, which reflects a decrease of CHF 8.5 million. Personnel expenses include the provisions for a variable bonus program which were zero in 2008 (previous year: CHF 1.7 million; including social contributions).

The average headcount decreased from 801 to 693 full-time equivalents. This fall in headcount is due to the effect of the industrial restructuring of Swissmetal.

The ratio of personnel expenses to gross margin has increased from 50% in 2007 to 52% in 2008 because of the lower business activities compared to previous year.

8 – Operating and administrative expenses

CHF 000	2008	2007
Energy	12,517	12,245
Operating materials	23,468	19,252
Administrative expenses	12,615	11,924
Other expenses	3,722	4,124
Total operating and administrative expenses	52,322	47,545

In 2008, the operating and administrative expenses amounted to CHF 52.3 million (previous year CHF 47.5 million).

The higher energy prices primarily reflect the general increase in electricity prices.

The cost for operating materials increased due to the higher maintenance costs, i.e. the measures taken to improve the new extrusion press in Dornach.

Administrative expenses which include, among other things, costs for insurance, information technology, communication and consulting, slightly increased in 2008 by CHF 0.7 million to CHF 12.6 million. The high cost level primarily results from external advisory service costs due to potential acquisitions.

The other expenses of CHF 3.7 million (previous year CHF 4.1 million) comprise travel and related expenses as well as rental costs and other disbursements relating to the trading company Avins USA Inc. Warren/NJ.

9 – Depreciation Depreciation totaled CHF 13.6 million, which reflects a decrease of CHF 0.5 million compared to the previous year (CHF 14.1 million). The depreciation has declined because assets are completely written off up to prior year due to shortened depreciation periods in earlier years and increased due to first depreciation of the new press in Dornach.

The amortization of goodwill arising from the acquisition of Swissmetal Lüdenscheid GmbH, Lüdenscheid, amounts to CHF 1.0 million (previous year: CHF 1.0 million); the amortization of goodwill arising from the acquisition of Avins USA Inc., Warren/NJ, amounts to CHF 0.5 million (previous year: CHF 0.5 million). (See also Property, plant and equipment and intangible assets)

10 – Financial result

CHF 000	2008	2007
Financial income	464	130
Financial expenses	-2,973	-3,443
Exchange rate differences	-1,770	477
Financial result	-4,279	-2,836

The net financial result decreased by CHF 1.4 million to CHF -4.3 million compared to the previous year. The main reason for this decrease is the exchange rate differences that decreased by CHF 2.2 million. The financial expense has been lowered and the financial income could be improved.

The average interest of 5.2% (without factoring) has increased by 0.4 percentage points from its prior-year level. Due to the change in third party financing a part of the low interest bearing compulsory stockpile loan has been repaid as planned, whereas the higher interest bearing loan remained unchanged. (See also Interest-bearing liabilities (current))

In the year 2008, interest of more than CHF 2.8 million (previous year: CHF 2.9 million) was paid, thereof CHF 0.5 million concerning the factoring. Swissmetal received interest of CHF 0.1 million (previous year: CHF 0.1 million).

11 – Non-operating result

CHF 000	2008	2007
Non-operating income	28	794
· Income from sale of plant and equipment	28	778
· Other non-operating income	0	16
Non-operating expenses	-6	-6
Non-operating result	22	788

In 2008, non-operating income amounted to CHF 28 thousands (previous year CHF 0.8 million).

12 – Extraordinary result In 2008, an extraordinary result of CHF 0.2 million has been recognized (previous year CHF 0.8 million) due to receivables in connection with the refinancing in 2004. This receivable has been revalued, which increased the net book value by CHF 0.2 million to 95% of the outstanding amount.

13 – Taxes Tax expenses totaled CHF 0.1 million, a decrease of CHF 1.8 million of tax expenditures compared to the previous year with CHF 1.9 million. Taxes on income accounted for CHF 0.2 million, taxes on capital and other taxes for CHF -1.9 million, deferred and other taxes for CHF 1.6 million. (See also Financial assets)

The tax expenses decreased mainly due to deferred taxes as a consequence of the negative result for the year. In the year of 2008, CHF 0.1 million taxes were paid (previous year CHF 0.9 million).

NOTES TO THE CONSOLIDATED BALANCE SHEET

SWISSMETAL GROUP

CHF 000	Land	Buildings	Machinery and technical equipment	Other equipment	Assets under construction	Intangible assets	Total 2008
2008 Statement of changes in tangible and intangible assets							
Acquisition value							
Balance as at 1 January	6,237	69,961	231,377	9,769	29,121	16,774	363,239
Acquisition *		284	312	18	11,582	112	12,308
Disposals	-27		-4,113	-307			-4,447
Transfers of assets		6,363	29,759		-36,827	705	0
Currency translation adjustments	-385	-144	-782	-69	-57	-947	-2,384
Balance as at 31 December	5,825	76,464	256,553	9,411	3,819	16,644	368,716
Accumulated depreciation							
Balance as at 1 January	3	59,239	199,675	9,135	0	7,870	275,922
Regular depreciation		1,411	8,868	242		3,043	13,564
Disposals			-4,113	-306			-4,419
Transfers of assets			-35			35	0
Currency translation adjustments		-26	-309	-39		-421	-795
Balance as at 31 December	3	60,624	204,086	9,032	0	10,527	284,272
Carrying amount							
as at 1 January	6,234	10,722	31,702	634	29,121	8,904	87,317
as at 31 December	5,822	15,840	52,467	379	3,819	6,117	84,444
Fire insurance values							
as at 31 December		270,783	358,127	9,857			638,767

* Column "assets under construction" includes CHF 1.7 million development costs of the ATMOVA system.

14 – Cash and cash equivalents As of the balance sheet date, cash and cash equivalents totaled CHF 8.2 million (previous year CHF 21.1 million), which represents a decrease compared to 31 December 2007 of CHF 12.9 million. (See also Consolidated cash flow statement)

15 – Securities Securities remained the same at CHF 0.2 million compared to the previous year.

16 – Trade accounts receivable Trade accounts receivable have decreased by CHF 8.0 million compared to the previous year to CHF 21.3 million. Due to the active accounts receivable management as well as decreased prices an overall decrease has been achieved. The value adjustments (individual and lump-sum bad debts) amounted to CHF 3.8 million on 31 December 2008, compared with CHF 1.7 million the year before. A part of the trade accounts receivable was ceded and therefore derecognized in the balance sheet of the Swissmetal Group. In the year 2008, gross accounts receivable amounted to CHF 32.3 million (previous year CHF 48.0 million), of which CHF 21.5 million was ceded on 31 December 2008. (See also Contingent liabilities and Credit line)

17 – Other receivables As of 31 December 2008, other receivables totaled CHF 12.8 million (previous year CHF 11.6 million). Other receivables are composed primarily of VAT credits (CHF 7.0 million), receivables that arose in connection with the refinancing in 2004 (CHF 3.6 million net) and other receivables from public institutions.

The receivable relating to the refinancing in 2004 has been revalued, which increased the net book value by CHF 0.2 million to 95% of the outstanding amount.

CHF 000	Land	Buildings	Machinery and technical equipment	Other equipment	Assets under construction	Intangible assets	Total 2007
2007 Statement of changes in tangible and intangible assets							
Acquisition value							
Balance as at 1 January	6,125	69,878	230,831	11,287	21,422	10,013	349,556
Acquisition		5	213	39	11,704	286	12,247
Disposals		-56	-2,955	-878	-901		-4,790
Transfers of assets		93	2,557	-718	-3,151	1,219	0
Change in scope of consolidation			556			5,558	6,114
Currency translation adjustments	112	41	175	39	47	-302	112
Balance as at 31 December	6,237	69,961	231,377	9,769	29,121	16,774	363,239
Accumulated depreciation							
Balance as at 1 January	3	58,903	192,309	9,146	874	4,310	265,545
Regular depreciation		376	9,613	595		3,509	14,093
Disposals		-56	-2,854	-456	-901		-4,267
Transfers of assets		12	151	-163			0
Change in scope of consolidation			424			90	514
Currency translation adjustments		4	32	13	27	-39	37
Balance as at 31 December	3	59,239	199,675	9,135	0	7,870	275,922
Carrying amount							
as at 1 January	6,122	10,975	38,522	2,141	20,548	5,703	84,011
as at 31 December	6,234	10,722	31,702	634	29,121	8,904	87,317
Fire insurance values							
as at 31 December		267,148	410,195	2,306			679,649

18 – Stock Stock break down as follows:

CHF 000	31.12.2008	31.12.2007
Crude metals	15,308	20,074
Own makes – metal content	35,752	39,920
Own makes – value added	14,703	14,732
Trade products	13,032	9,721
Other stock	34	38
Total stock	78,829	84,485

Stock levels at the manufacturing plants have been reduced by 700 tonnes from 12,000 tonnes in the previous year to 11,300 tonnes through active warehouse management, whereas the bulk of the reduction is due to better logistics processes, mostly in work in process.

The total stock balance decreased from CHF 84.5 million by CHF 5.7 million to CHF 78.8 million. The value of the metals (raw metals and own manufactured metal content) per tonne has decreased from CHF 5,000 in 2007 to CHF 4,519 in 2008. This reflects particularly the combination of the following effects: As the volumes of the lower-priced share of the stock at the Swiss plants decreased, the average value of total stock rose. As a result, the share of purchase and sales commitments measured at contract value has a stronger weighting in the stock value as of 31 December 2008. But this increase was offset by a larger price decrease effect. The average value of stock of Swissmetal Lüdenscheid GmbH, Lüdenscheid, is at about the same price level when it started the LIFO (last in, first out) principle as of 1 February 2006. Hence, the net effect was a decrease in value which was expensed. The market value of the own manufactured stock totaled CHF 79.3 million as of 31 December 2008, which represented a decrease of CHF 15.0 million compared to the previous year (CHF 94.3 million). The difference between market value and book value amounted to CHF 13.5 million (previous year: 19.6 million). (See also Principles of valuation)

19 – Prepaid expenses and accrued income Prepaid expenses and accrued income amounted to CHF 1.4 million as of 31 December 2008, an increase of CHF 0.4 million compared to the previous year. This increase is mainly due to the increase in derivative financial assets.

20 – Property, plant and equipment and intangible assets The asset class “Buildings” included buildings not required for operations with a carrying value of CHF 0.4 million as of 31 December 2008 (previous year: CHF 0.4 million). Land without building amounted to a book value of CHF 3.2 million.

In the asset classes “Buildings” and “Machinery and technical equipment”, the new extrusion press in the amount of CHF 29.8 million including the building was transferred from the class “Assets under construction”. Payments for assets under constructions amounted to CHF 1.3 million and concerned a pickling line.

Intangible assets decreased by CHF 2.8 million to CHF 6.1 million and consisted of CHF 3.4 million in goodwill from the acquisition of Swissmetal Lüdenscheid GmbH, Lüdenscheid, in 2006 and of Avins Industrial Products Corp., Warren/NJ, in 2007 as well as CHF 2.7 million in software and other intangible assets. A part of the software is related to the SAP expansion for Avins USA Inc., Warren/NJ, and Avins International Ltd, Dornach.

A new impairment test had been made for 2008. Due to this test no impairment was necessary in 2008 as in the previous years. (See Statement of changes in tangible and intangible assets)

21 – Financial assets The financial assets amounted to a total of CHF 2.6 million in 2008 and are composed of deferred taxes for CHF 2.4 million, the employer contribution reserves for CHF 0.1 million and loans for more than CHF 0.1 million. In 2007, the government of the Canton of Solothurn has approved loss carry-forwards for all Swissmetal activities, which can be used in the upcoming seven years. New fiscal loss carry-forwards from 2008 have been added totaling CHF 13.8 million as of 31 December 2008, which can be claimed at least up until 2014.

In the prior year the total amount of CHF 1.8 million was composed of the assets from employer contribution reserves of CHF 0.3 million, loans of CHF 0.1 million and deferred taxes of CHF 1.4 million.

22 – Assets from employer contribution reserves and pension funds The situation in the Swiss employee benefit funds is as follows:

Economic benefits/obligation and pension expense								
CHF 000	Surplus/deficit pursuant to Swiss GAAP FER 26 (Basis 31.12.2007)	Company's economic benefit		Change from prior year or recognized in income during the fiscal year	Contribution concerning the business period without ECR	Pension expense included in personnel expenses		
		31.12.2008	31.12.2007			2008	2007	
		Welfare funds/ pension plans	2,503			0	0	0
Pension plans*	0	0	0	0	1,880	1,880	2,246	
Total	2,503	0	0	0	1,880	1,880	2,246	

*There is an undercapitalization in the pension plan for 2008. The coverage rate is at approximately 90% according to the provisional financial statements. Swissmetal Industries Ltd, Dornach, has no economical obligation to take measures for the refinancing.

As at the balance sheet date, the economical benefits from employer contribution reserves (ECR) divested to the Swiss pension funds were as follows:

Employer contribution reserves (ECR)							
CHF 000	Nominal value	Use of ECR waived	Other provisions	Discount	Balance sheet	Balance sheet	Earnings from ECR included in personnel expenses 2008
	31.12.2008	31.12.2008	31.12.2008	31.12.2008	31.12.2008	31.12.2007	
Welfare funds/ pension plans	281	-133	0	0	148	281	-133
Total	281	-133	0	0	148	281	-133

Pension plan contribution (CHF 000)	2008	2007
Regulatory employee contributions	1,880	2,246
Regulatory employer's contributions	1,880	2,246

The employer's contributions are included in the personnel expenses.

23 – Interest-bearing liabilities (short-term)

Credit type (CHF 000)	31.12.2008	31.12.2007
Bank loans	14,555	8,999
Compulsory stockpile loans	2,940	3,330
Mortgage loans	6,680	0
Liabilities to employee benefit foundations	311	206
Total interest-bearing liabilities (short-term)	24,486	12,535

The short-term interest-bearing liabilities increased by CHF 12.0 million compared to the previous year. This is due to the bank debts in connection with the borrowing base and the mortgage loan in Swissmetal Industries Ltd, Dornach. Bank debts of CHF 2.9 million relate to the short-term portion of the compulsory stockpile loan and CHF 6.7 million to the mortgage loan; this portion becomes due in the following year. (See also Loans (long-term))

24 – Trade accounts payable Trade accounts payable to suppliers decreased by CHF 7.5 million to CHF 18.4 million compared to the prior year. The drop is primarily a result of the low accounts payable balance due to lower metal prices.

25 – Other liabilities Other liabilities amount to a total of CHF 4.0 million, whereas as of the balance sheet date almost the total amount is posted in short-term liabilities (previous year CHF 7.1 million). In the previous year the long-term part was CHF 1.0 million. Compared to the previous year there is no variable employee bonus system for 2009; this is the main reason for the decrease. The other liabilities thus consist of holiday and overtime credits of CHF 2.2 million, liabilities against the pension funds of CHF 0.3 million and miscellaneous liabilities of CHF 1.5 million. (See also Personnel expenses as well as Compensations and transactions with related parties)

26 – Accrued expenses and prepaid income The total accrued expenses and prepaid income of CHF 2.9 million represents a decrease of CHF 2.6 million year-on-year. This item includes accruals for invoices not yet received of CHF 1.2 million, auditing services and additional costs in connection with the annual report of CHF 0.6 million, complaints of CHF 0.5 million, accruals for annual discounts and commissions of CHF 0.2 million, derivative financial liabilities of CHF 0.1 million as well as further accruals of CHF 0.3 million.

27 – Provisions

CHF 000	Guarantees	Restructuring	Environment	Other	Pension liabilities	Deferred taxes	Total
Book value as at 1.1.2007	587	0	1,858	450	1,520	9,350	13,765
Restatement		2,000				-500	1,500
Book value as at 1.1.2007 (after restatement)	587	2,000	1,858	450	1,520	8,850	15,265
Addition				184	443	1,010	1,637
Utilization				-66	-535	-1,132	-1,733
Change in scope of consolidation						1,326	1,326
Currency translation adjustments				-2	50	-8	40
Book value as at 1.1.2008	587	2,000	1,858	566	1,478	10,046	16,535
Addition			500	1,536	211	959	3,206
Utilization	-581			-319			-900
Reversal	-6			-290		-1,700	-1,996
Currency translation adjustments				-7	-151	-482	-640
Book value as at 31.12.2008	0	2,000	2,358	1,486	1,538	8,823	16,205

The provision schedule shows the total of short-term and long-term provisions. The provisions for deferred taxes, the pension obligation and the environment are considered to be long-term provisions. The category “Other liabilities” contains both time horizons. Overall, CHF 12.9 million is attributable to long-term and CHF 3.3 million to short-term provisions (previous year: CHF 15.8 million and CHF 0.7 million, respectively).

The restatement of the provision for the social plan led to an increase by CHF 2.0 million of the provisions as at 1 January 2007. (See also Restatement)

Environment contains provisions for environmental protection measures of CHF 2.4 million, an increase of CHF 0.5 million compared to the previous year. (See also Environment)

28 – Loan (long-term)

CHF 000	31.12.2008	31.12.2007
Bank loan	6,336	6,762
Compulsory stockpile loan	0	3,340
Mortgage loans	13,320	20,000
Total loans	19,656	30,102
Average interest rate in the years ending on	5.80%	4.60%

Bank loan amounts to CHF 6.3 million (previous year CHF 6.8 million) and corresponds to the bank loan of Avins USA Inc., Warren/NJ. The difference results from the currency translation.

The long-term part of the compulsory stockpile loan does not exist any more at the end of 2008. The agreement concerning the compulsory stockpile loan with the federal government provides for one last repayment of CHF 2.9 million for the year 2009, CHF 0.4 million has been paid back in addition in 2008 due to decreasing metal prices.

In 2006, a mortgage line for CHF 20.0 million was established. On 31 December 2008, CHF 20.0 million (previous year CHF 20.0 million) of that credit line had been drawn, whereas CHF 6.7 million are reclassified in the short-term part. The collateral for that mortgage line is the Dornach site. (See also Contingent liabilities and credit line as well as Interest-bearing liabilities (short-term))

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

OTHER EXPLANATORY NOTES

SWISSMETAL GROUP

30 – Equity interests As of the balance sheet date, the following shareholders hold more than 3% of the capital in Swissmetal Holding Ltd, Dornach:

	31.12.2008	31.12.2007
Own Shares	5.07%	
Gem Small & Mid Caps Switzerland (Fund Manager: Caceis Fastnet (Suisse) SA)* **	4.44%	5.00%
Laxey Partners Ltd	32.9%	32.9%
3V Invest Swiss Small & Mid Cap (Fund Manager: Oppenheim Asset Service S.à r.l. and 3V Asset Management AG)	3.13%	

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

** Fund Manager's name in 2007: FidFund Management SA.

31 – Contingent liabilities and credit line

2008

Guarantee obligations vis-à-vis third parties	CHF 000	Book value of assets used as collateral	CHF 000
Guarantee liabilities	5,640	Stock	2,200
		Fixed assets	2,646
Total guarantee liabilities vis-à-vis third parties	5,640	Total	4,846

2007

Guarantee obligations vis-à-vis third parties	CHF 000	Book value of assets used as collateral	CHF 000
Guarantee liabilities	5,641	Cash and cash equivalents	401
		Fixed assets	2,992
Total guarantee liabilities vis-à-vis third parties	5,641	Total	3,393

The book value of the collaterals has changed to fixed assets and has increased by CHF 1.4 million. Guarantee liabilities were CHF 5.6 million as of 31 December 2008 and were thus unchanged compared to previous year's value.

2008

Credit line (CHF 000)	secured	claimable maximum	claimed	Book value of assets used as collateral (CHF 000)
Factoring	46,371	12,039	10,981	Trade accounts receivable [*]
Bank loan	6,336	6,336	6,336	Assets
Warehouse facility	31,912	16,874	15,156	Stock
Compulsory stockpile loan	2,940	2,940	2,940	Stock
Mortgage loan	20,000	20,000	20,000	Fixed assets
Total	107,559	58,189	55,413	Total

2007

Credit line (CHF 000)	secured	claimable maximum	claimed	Book value of assets used as collateral (CHF 000)
Factoring	47,901	22,217	18,773	Trade accounts receivable [*]
Bank loan	7,215	7,215	7,215	Assets
Warehouse facility	33,272	22,057	8,546	Stock
Compulsory stockpile loan	6,670	6,670	6,670	Stock
Mortgage loan	20,000	20,000	20,000	Fixed assets
Total	115,058	78,159	61,204	Total

^{*} Trade accounts receivable do not count as coverage, but are ceded (see also Trade accounts receivable)

The overall credit line that could have been used based on the contracts as at 31 December 2008, amounted to CHF 58.2 million and decreased by CHF 20.0 million compared to the previous year. Thereof, CHF 55.4 million or 95% (previous year: CHF 61.2 million, respectively 78%) were used as at the end of 2008. The carrying value of the collaterals underlying these credit lines decreased in the period under review from CHF 109.6 million to CHF 104.2 million by CHF 5.4 million.

The assets used as collateral as at 31 December 2008 include assets of the Avins USA Inc., Warren/NJ, the stock at the production sites at Swiss and German locations held as collateral for the warehouse facility, metal inventories at the Swiss locations as collateral for the compulsory stockpile loan and a piece of property as collateral for the mortgage.

The level of the factoring and warehouse facilities fluctuates depending on the value of the receivables and the warehouse stocks; hence, the line of maximum available credit of CHF 78.3 million amounts to CHF 28.9 million as at the end of 2008.

Utilization of the line of credit requires adherence to certain key financial covenants and includes the normal credit provisions.

32 – Financial obligations from operating leases The future obligations from operating lease agreements are as follows:

Leased assets 2008 (CHF 000)						
Maturity	2009	2010	2011	2012	2013 and later	Total
Vehicles	325	224	166	107	88	910
Office space	81	29	3	3		116
Total	406	253	169	110	88	1,026

Leased assets 2007 (CHF 000)						
Maturity	2008	2009	2010	2011	2012 and later	Total
Vehicles	542	430	321	80	20	1,393
Office space	112	113	65	43	44	377
Total	654	543	386	123	64	1,770

The total operating lease obligation decreased by CHF 0.7 million. The leasing obligations for office space result from the Avins USA Inc., Warren/NJ.

33 – Hedges

2008

CHF 000	Contract value	Valuation at the balance sheet closing rate	Positive (+)/negative (-) replacement value
Sale metal forwards	-1,741	-889	852
Sale foreign exchange	-7,778	-7,440	338
Purchase foreign exchange	2,428	2,293	-135
Total replacement value	-7,091	-6,036	1,055

2007

CHF 000	Contract value	Valuation at the balance sheet closing rate	Positive (+)/negative (-) replacement value
Sale metal forwards	-4,625	-4,537	88
Sale foreign exchange	-2,587	-2,529	58
Total replacement value	-7,212	-7,066	146

The contract value is understood to be 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 actual values. An asset corresponds to the amount that the accounting organization would maximally lose in case of a 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.

According to Swiss GAAP FER 27 an amount of CHF 0.3 million is recognized under accrued income for the unrealized gain from derivative financial instruments as of 31 December 2008. The sale metal forwards have been recognized as part of the stock valuation.

34 – Environment

Swiss plants at Dornach and Reconvilier In 2003, Ernst & Young AG, Zurich conducted an extensive review and assessment of the Swissmetal Group's operating and retired assets and locations. The environmental risks were assessed and quantified by SIUM Engineering AG (now U-Tech Zaugg), Thun.

The Group's sites at Dornach (Canton Solothurn) and Reconvilier (Canton Berne) are considered to be contaminated. Provided the law remains the same and there are no changes of use, no material financial consequences should be expected for the Swissmetal Group. Further risks that could incur costs cannot be excluded in the future on account of changes in legal practice. It should be noted that a change in use or plans for construction may entail remediation measures.

As planned, in 2005 the company renewed its existing groundwater examination program in close coordination with the cantonal authorities; no contamination limits have been exceeded to date. The groundwater monitoring program has also been renewed.

Parts of the environmental impact assessment for the Dornach site (new press plant) were brought forth and the necessary measures undertaken. The results of the environmental impact assessment became available during the financial year 2007. Hence, the necessary remediation measures have been started in the year 2007 and are expected to be completed in 2009.

The investigation of the surroundings of the Dornach plant in close cooperation with the environmental authorities of the Canton of Solothurn and the neighboring Canton of Basel-Landschaft as part of the "P3 Project" was completed on schedule. Thus, the plots could be classified in the different zones. The consequences for the Swissmetal Group are currently being clarified. At the beginning of 2009, a comparable project has been launched in Reconvilier, Canton Berne.

Based on its current knowledge, the Swissmetal Group recognized provisions totaling CHF 1.0 million for environmental measures that are considered likely at Dornach and Reconvilier sites.

The provision of CHF 1.4 million created as a cautionary measure in 2005 to deal with inherited pollution has been carried forward.

Provisions have been recognized for the key areas. To the best of our knowledge, there is no need to make further provision for the environment.

German plant, Lüdenscheid The environmental regulations and conditions for approval – as per Bundes-Immissions-Schutz-Gesetz Abwasser (Federal Immission Control Waste Water Act), §§ 58, 60 of the Landeswassergesetz NRW (Water Act of the State of North-Rhine Westphalia) in conjunction with § 18 of the Wasserhaushaltsgesetz (Water Resources Act) – are regularly examined and their observance monitored by independent institutions (technical control board [TÜV], Institute for Materials and Environmental Analysis).

35 – Compensations and transactions with related parties For the year 2008 and 2007, the members of the Board of Directors gained the following compensation, respectively:

Compensation 2008 (CHF)	Dr. J. Friedrich Sauerländer Chairman	Dr. Dominik Köchlin Vice Chairman	Martin Hellweg⁶ Member and Delegate	Max Locher Member	Ralph Glassberg⁷ Member	Dr. Roger Bühler Member	Total BoD
Compensation (cash)							
Pay (fixed)							
Chairman of BoD	100,000						100,000
Vice Chairman of the BoD		75,000					75,000
Member of the BoD			0	50,000	50,000	50,000	150,000
Chairman of the AC		15,000					15,000
Member of the AC	15,000					15,000	30,000
Executive function			415,992		81,875		497,867
Pay (variable)							
Nordstern bonus			0				0
Other bonuses ¹					95,737		95,737
Shares/Options²							
Advantage from share purchase at reduced price ³	10,550	10,550	63,300				84,400
Remuneration for additional work							
Additional services above and beyond regular duties ⁴	60,000						60,000
Total compensation (cash)	185,550	100,550	479,292	50,000	227,612	65,000	1,108,004
Compensation (non-cash)							
Bonus bank opening balance			95,216				
Bonus bank pay-out (negative value) and deduction (positive value), respectively			-95,216				-95,216
Bonus bank closing balance			0				
Benefits in kind ²			28,889		2,816		31,705
Pension expenses ⁵	8,324	5,964	75,416	1,747	34,749	0	126,200
Total compensation (non-cash)	8,324	5,964	9,089	1,747	37,565	0	62,689
Total compensation	193,874	106,514	488,381	51,747	265,177	65,000	1,170,693

¹ Ralph Glassberg does not participate in the Nordstern bonus program.

² Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.

⁵ Employer's share

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

⁷ In addition to compensation for his service on the Board of Directors, Ralph Glassberg receives compensation as CEO of Avins USA Inc., Warren/NJ.

Note on the bonus bank: The agreed value added target for the financial year 2007 was not reached. Therefore, an individual bonus that was smaller than the target bonus was paid out. In addition to that, a portion of the bonus bank balance of the previous year was paid out. The remainder was carried forward in the bonus bank and offset against the 2008 bonus. The line "Bonus" in the compensation table 2008 now indicates the amount actually paid out for 2008. The 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 for 2008. Adding the lines

Compensation 2007 (CHF)	Dr. J. Friedrich Sauerländer Chairman	Dr. Dominik Köchlin Vice Chairman	Martin Hellweg⁶ Member and Delegate	Max Locher Member	Ralph Glassberg⁷ Member	Dr. Roger Bühler Member	Total BoD
Compensation (cash)							
Pay (fixed)							
Chairman of BoD	100,000						100,000
Vice Chairman of the BoD		75,000					75,000
Member of the BoD			0	50,000	50,000	50,000	150,000
Chairman of the AC		15,000					15,000
Member of the AC	15,000					15,000	30,000
Executive function			415,992		76,200		492,192
Pay (variable)							
Nordstern bonus			463,600				463,600
Other bonuses ¹					222,000		222,000
Shares /Options²							
Advantage from share purchase at reduced price ³	13,600	13,600	81,600				108,800
Remuneration for additional work							
Additional services above and beyond regular duties ⁴	57,500			3,750			61,250
Total compensation (cash)	186,100	103,600	961,192	53,750	348,200	65,000	1,717,842
Compensation (non-cash)							
Bonus bank opening balance			238,502				
Bonus bank pay-out (negative value) and deduction (positive value), respectively			-143,286				-143,286
Bonus bank closing balance			95,216				
Benefits in kind ²			30,540		2,520		33,060
Pension expenses ⁵	7,863	4,650	143,513	1,866	36,571	0	194,463
Total compensation (non-cash)	7,863	4,650	30,767	1,866	39,091	0	84,237
Total compensation	193,963	108,250	991,959	55,616	387,291	65,000	1,802,079

¹ Ralph Glassberg does not participate in the Nordstern bonus program.

² Unless otherwise noted, there are no outstanding options, benefits in kind or loan guarantees.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ CHF 2,500 per day plus expenses is paid for additional services above and beyond regular director's duties.

⁵ Employer's share

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

⁷ In addition to compensation for his service on the Board of Directors, Ralph Glassberg receives compensation as CEO of Avins Industrial Products Corp., Warren/NJ.

"Bonus" and "Bonus bank pay-out (negative value) and deduction (positive value), respectively" yields the negative expense figure stated in the 2008 Income Statement.

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

For the year 2008 and 2007, the seven members of the management received the following compensation, respectively:

Compensation 2008 (CHF)	Individual with highest compensation: CEO⁶	Other Executive Management Members	Total
Compensation (cash)			
Pay (fixed)			
Member	415,992	1,374,787	1,790,779
Pay (variable)			
Nordstern bonus	0	0	0
Other bonuses ¹		120,407	120,407
Shares/options²			
Advantage from share purchase at reduced price ³	63,300	126,600	189,900
Remuneration for additional work			
Additional services above and beyond regular duties		10,008	10,008
Total compensation (cash)	479,292	1,631,802	2,111,094
Compensation (non-cash)			
Bonus bank opening balance	95,216	168,161	263,377
Bonus bank pay-out (negative value) and deduction (positive value), respectively	-95,216	-168,161	-263,377
Bonus bank closing balance	0	0	0
Benefits in kind	28,889	86,240	115,129
Pension expenses ⁴	75,416	255,075	330,491
Total compensation (non-cash)	9,089	173,154	182,243
Total compensation	488,381	1,804,956	2,293,337
Loans/credits 2008 (CHF)			
Loans ⁵		231,889	231,889
Loans		231,889	231,889

¹ The Board of Directors may grant bonuses based on individual merit.

² There are no outstanding options.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ Employer's share

⁵ The loan was used to finance the acquisition of shares that are locked in for a certain period.

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

The interest rate on the loan provided to two Executive Management Members is 2% per annum. The loans are for a term of four years. The locked-in shares acquired with these loans serve as security.

Compensation 2007 (CHF)	Individual with highest compensation: CEO ⁶	Other Executive Management Members	Total
Compensation (cash)			
Pay (fixed)			
Member	415,992	1,238,254	1,654,246
Pay (variable)			
Nordstern bonus	463,600	458,931	922,531
Other bonuses ¹		50,000	50,000
Shares/options²			
Advantage from share purchase at reduced price ³	81,600	122,400	204,000
Remuneration for additional work			
Additional services above and beyond regular duties		10,008	10,008
Total compensation (cash)	961,192	1,879,593	2,840,785
Compensation (non-cash)			
Bonus bank opening balance	238,502	329,107	567,609
Bonus bank pay-out (negative value) and deduction (positive value), respectively	-143,286	-160,946	-304,232
Bonus bank closing balance	95,216	168,161	263,377
Benefits in kind	30,540	119,134	149,674
Pension expenses ⁴	143,513	274,099	417,612
Total compensation (non-cash)	30,767	232,287	263,054
Total compensation	991,959	2,111,880	3,103,839
Loans/credits 2007 (CHF)			
Loans ⁵		60,750	60,750
Loans		60,750	60,750

¹ The Board of Directors may grant bonuses based on individual merit.

² There are no outstanding options.

³ The shares of the regular share ownership program may be purchased at a subsidized price and are locked in for two years. Additional shares have been allotted in special cases based on individual merit.

⁴ Employer's share

⁵ The loan was used to finance the acquisition of shares that are locked in for a certain period.

⁶ Martin Hellweg does not receive additional compensation for his service on the Board of Directors.

The members of the Board of Directors and of the management own the following number of shares:

Number of shares (votes)	2008	2007
Dr. J. Friedrich Sauerländer Chairman of the BoD	5,000	4,000
Dr. Dominik Köchlin Vice Chairman of the BoD	3,000	2,000
Max Locher Member of the BoD	801	801
Ralph Glassberg Member of the BoD	133,333	160,000
Dr. Roger Bühler* Member of the BoD	0	0
Martin Hellweg CEO	60,000	63,525
Volker Suchardt EVP Own Manufactured Products and Quality, Safety & Environment	18,000	18,000
Sam V. Furrer Chief Development Officer	9,000	3,000
Martin Heuschkel SVP Design Solutions and Chief Information Officer	1,500	1,500
Laura Rossini SVP Human Resources	1,000	0
Joachim Blatter Chief Financial Officer	9,000	–
Greg Himstead SVP Head of Sales and Marketing	10,500	3,000

* The major shareholder Laxey Partners is not a closely linked party in the meaning of the SWX Directive in respect of its representative on the Board of Directors. For that reason, the number of shares it holds is not included.

36 – Related parties

In connection with the acquisition of Avins USA Inc., Warren/NJ, it was noted that one of its clients has built net uninsured receivables to the amount of CHF 1.2 million after the Closing Due Diligence and before the Closing within two days, without the contractually required reporting from the sellers to the Swissmetal Group. In accordance with the share purchase agreement the Swissmetal Group sold this receivable to a related party seller in the remaining amount of CHF 0.8 million in 2008; the difference had been repaid by the client.

37 – 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 identified and therefore the most critical accounting policies consist of liquidity, metal price changes and valuation, accounting for acquisitions, intangible assets and impairments.

38 – Events occurring after the balance sheet date

The following significant event occurred after the balance sheet date: The Management of Swissmetal Group due to the global financial crisis and its impact on Swissmetal Group decided to reduce the workforce in administration by a total of 35 full-time employees.

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 balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 40 to 64), for the year ended 31 December 2008.

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 2008 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.

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, 31 March 2009

PricewaterhouseCoopers AG

Dr. Daniel Suter
Audit expert
Auditor in charge

Claudine Heitz
Audit expert

FINANCIAL REPORT 2008

SWISSMETAL HOLDING LTD

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The accounts are prepared in accordance with Swiss law (Swiss Code of Obligations) and the company's Article of Incorporation. Please note that UMS Swiss Metalworks Holding Ltd, Dornach, changed its name into Swissmetal Holding Ltd, Dornach.

INCOME STATEMENT

SWISSMETAL HOLDING LTD

		2008	2007
	Notes	CHF 000	CHF 000
Income from subsidiaries	01	0	0
Other income		3	0
Total operating income		3	0
Operating and administrative expenses	02	-675	-568
Other expenses from third parties	03	-51	-6
Other expenses from subsidiaries	03	-100	-100
Operating income before depreciation (EBITDA)		-823	-674
Depreciation		0	0
Operating income (EBIT)		-823	-674
Financial result	04	-5,068	2,202
Extraordinary result	05	196	759
Earnings before taxes (EBT)		-5,695	2,287
Taxes	06	-1	-28
Result for the year (EAT)		-5,696	2,259

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

ASSETS	Notes	31.12.2008		31.12.2007	
		CHF 000	%	CHF 000	%
Current assets					
Cash and cash equivalents		24	0.0	26	0.1
Securities	07	3,314	2.9	3,976	3.3
Other receivables	08	3,618	3.1	3,417	2.8
Current accounts from subsidiaries	09	7,137	6.2	11,433	9.5
Total current assets		14,093	12.2	18,852	15.7
Fixed assets					
Investment in subsidiaries	10	101,286	87.8	101,286	84.3
Total fixed assets		101,286	87.8	101,286	84.3
TOTAL ASSETS		115,379	100.0	120,138	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
	Notes	CHF 000	%	CHF 000	%
Short-term liabilities					
Trade accounts payable		14	0.0	3	0.0
Current account to subsidiaries	11	2,010	1.8	0	0.0
Other liabilities		15	0.0	11	0.0
Accrued expenses and prepaid income	12	10	0.0	472	0.4
Provisions for taxes		0	0.0	39	0.0
Other provisions	13	0	0.0	587	0.5
Total short-term liabilities		2,049	1.8	1,112	0.9
Total liabilities		2,049	1.8	1,112	0.9
Shareholders' equity					
Share capital	14	59,617	51.7	59,617	49.6
General statutory reserves		43,752	37.9	43,752	36.5
Reserve for own shares	15	8,036	6.9	4,612	3.8
Available earnings		1,925	1.7	11,045	9.2
· Retained earnings		7,621	6.6	8,786	7.3
· Result for the year (EAT)		-5,696	-4.9	2,259	1.9
Total shareholders' equity		113,330	98.2	119,026	99.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		115,379	100.0	120,138	100.0

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
Balance as at 1 January 2007	58,910	42,330	4,299	9,099	114,638
Capital increase 1	360	720			1,080
Capital increase 2	347	702			1,049
Allocation to reserve for own shares			313	-313	0
Result for the year				2,259	2,259
Balance as at 1 January 2008	59,617	43,752	4,612	11,045	119,026
Allocation to reserve for own shares			3,424	-3,424	0
Result for the year				-5,696	-5,696
Balance as at 31 December 2008	59,617	43,752	8,036	1,925	113,330

Own shares	Number	Average price (CHF)*
Balance as of 1 January 2007	20,000	115.00
Purchase	114,000	17.54
Sale by purchasing Avins USA Inc., Warren/NJ	-120,000	27.00
Sale to employee	-3,000	27.00
Purchase	134,000	24.98
Balance as of 1 January 2008	145,000	31.81
Sale to employees	-7,192	23.05
Purchase	241,166	22.65
Sale to employees (share participation program)	-36,900	21.10
Sale to employees	-11,000	14.28
Purchase	17,502	19.96
Balance as of 31 December 2008	348,576	23.06

* as part of the reserve for own shares

On 1 July 1996, 20,000 shares of Swissmetal Holding Ltd, Dornach, were purchased at a price of CHF 115.00 per share. A special reserve for own shares totalling CHF 2.3 million was set up in accordance with statutory provisions and charged against available earnings from 1995.

Swissmetal Holding Ltd, Dornach, increased the amount of own shares in January 2007 to partially finance the acquisition of Avins Industrial Products Corp., Warren/NJ, with own shares. In January 2007, after this acquisition that required altogether 120,000 shares as part of the purchase price, the amount of own shares decreased. Swissmetal Holding Ltd, Dornach, sold further 3,000 shares in connection with share-based payments to the employees. In the further course of the previous year Swissmetal Holding Ltd, Dornach, increased the amount of own shares again. The company purchased 134,000 own shares for other potential takeovers as well as for the employee share participation program.

In 2008, 258,668 own shares were purchased. The company granted in total 55,092 shares to employees, thereof 36,900 shares for the share participation program.

In accordance to the legal requirements the reserve for own shares has been increased in 2008 by CHF 3.4 million (2007: CHF 0.3 million). This amount corresponds to the acquisition costs of the own shares.

The General Meeting 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.

At the end of the year 2008, the company held 348,576 shares that are recognized at the year-end price of CHF 9.50 per share (in the position "Securities" 2007: 145,000 shares at a price of CHF 27.40 per share). The change in value was recognized in the income statement (see also Financial result). 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 further two years, in fact until the 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.

In the financial year 2007, the share capital increased in two phases: On 10 January and 21 May 2007, Swissmetal Holding Ltd, Dornach, increased the stock of shares on issue by 40,000 respectively 38,550 shares, each with a par value of CHF 9.00, from 6,545,556 shares to 6,624,106 shares, by paying a part of the authorized capital approved at the 2006 General Meeting.

In the financial year 2008, the share capital remained the same as in 2007.

NOTES TO THE INCOME STATEMENT

1 – Income from subsidiaries In 2008, the company did not incur any income from subsidiaries. As in the previous year, Swissmetal Industries Ltd, Dornach, Swissmetal Design Solutions Ltd, Dornach, and Avins International Ltd, Dornach, did not distribute a dividend.

2 – Operating and administrative expenses The operating and administrative expenses of CHF 0.7 million comprise the Board of Directors' compensation, including expenses, of CHF 0.5 million, bank and insurance expenses of CHF 0.1 million as well as auditing and consulting expenses of CHF 0.1 million.

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

4 – Financial result

CHF 000	31.12.2008	31.12.2007
Financial income	341	2,202
Financial expenses	-5,409	0
Financial result	-5,068	2,202

Net financial result amounts to minus CHF 5.1 million (2007: CHF 2.2 million). The financial income consists of CHF 0.3 million (2007: CHF 0.7 million) of interest income on an open account granted by the company to Swissmetal Group companies. Moreover, losses on own shares contributed CHF 5.4 million to the financial expenses in 2008 whereas gains of CHF 1.5 million were reported in 2007.

5 – Extraordinary result The extraordinary profit contains CHF 0.2 million of both released value adjustment allowance for other receivables and released provision. (See also Other receivables and Other provisions)

6 – Taxes Taxes consist of taxes on capital.

NOTES TO THE BALANCE SHEET

7 – Securities Securities amount to CHF 3.3 million and consist primarily of the 348,576 own shares, the number increased by 203,576 own shares during the year under review. Compared to the previous year, the decrease reflects primarily the net effect of the increased amount and decreased value of own shares.

8 – Other receivables 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, originally valued at CHF 3.8 million, were value adjusted and discounted by 30%. Therefore, as of 31 December 2006, CHF 2.7 million in other receivables were outstanding. Due to the latest information from the liquidator, management decided to decrease the value adjustment to 10% and to 5% in the financial year 2007 and 2008 respectively, accordingly CHF 0.8 million in 2007 and CHF 0.2 million in 2008 were reversed and the receivables amount was revalued at 90% and at 95% respectively.

9 – Current accounts from subsidiaries As of 31 December 2008, a total of CHF 7.1 million in receivables from Swissmetal Industries Ltd, Dornach, and Avins International Ltd, Dornach, was outstanding. This represents a decrease of CHF 4.3 million on the previous year's amount.

10 – Investment in subsidiaries

Country and company 2008	Currency	Share capital	Purpose	Equity investment direct in %	Equity investment indirect in %
Switzerland					
Swissmetal Industries Ltd Dornach	CHF 000	50,000	Production facility	100	
Avins International Ltd, Dornach	CHF 000	500	Trading company	100	
Swissmetal Design Solutions AG, Dornach	CHF 000	100	Development company	100	
Avins Switzerland Ltd, Dornach	CHF 000	100	Trading company		100
Germany					
Avins Germany GmbH, Lüdenscheid	EUR 000	260	Trading company		100
Swissmetal Lüdenscheid GmbH, Lüdenscheid	EUR 000	1,525	Production facility		100
USA					
Avins USA Inc., Warren/NJ	USD 000	100	Trading company		100
Country and company 2007					
Switzerland					
Swissmetal Industries Ltd, Dornach *	CHF 000	50,000	Production facility	100	
Avins International Ltd, Dornach	CHF 000	500	Trading company	100	
Swissmetal Design Solutions AG, Dornach	CHF 000	100	Development company	100	
Avins Switzerland Ltd, Dornach	CHF 000	100	Trading company		100
Germany					
Avins Germany GmbH, Lüdenscheid	EUR 000	260	Trading company		100
Swissmetal Lüdenscheid GmbH, Lüdenscheid	EUR 000	1,525	Production facility		100
USA					
Avins USA Inc., Warren/NJ **	EUR 000	100	Trading company		100
*formerly Swissmetal - UMS Swiss Metalworks Ltd, Dornach					
**formerly Avins Industrial Products Corp., Warren/NJ					

The changes in investments (at carrying values) over the last two years developed as follows:

CHF 000	SMCH	SMDS	AVIN	Total
Balance as at 1 January 2007	100,006	0	100	100,106
Capital increase			1,080	1,080
Startup		100		100
Balance as at 1 January 2008	100,006	100	1,180	101,286
Changes	0	0	0	0
Balance as at 31 December 2008	100,006	100	1,180	101,286

SMCH: Swissmetal Industries Ltd, Dornach
SMDS: Swissmetal Design Solutions Ltd, Dornach
AVIN: Avins International Ltd, Dornach

In the year 2008, two companies changed their names: UMS – Swiss Metalworks Ltd, Dornach, became Swissmetal Industries Ltd, Dornach, and Avins Industrial Products Corp., Warren/NJ, USA, was renamed in Avins USA Inc., Warren/NJ, USA.

11 – Current account to subsidiaries The increase in the current account to subsidiaries is mainly due to the increase of the current account with Swissmetal Industries Ltd. It reflects the payables for the share participation program.

12 – Accrued expenses and prepaid income Compared to the previous year, mainly auditing fees are accrued.

13 – Other provisions The provisions take into account all the recognizable and measurable risks. The claim from the dissolved subsidiary in Germany is closed. The major part of the provision has been used, the rest has been reversed.

14 – 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.

15 – Reserve for own shares The reserve for own shares rose by CHF 3.4 million compared to the previous year due to the purchase of own shares by Swissmetal Group companies. (See also Statement of changes in shareholders' equity)

OTHER EXPLANATORY NOTES

16 – Contingent liabilities

CHF 000	31.12.2008	31.12.2007
Guarantee obligations vis-à-vis Group companies		
Guarantee liabilities	20,000	20,000

As of 31 December 2008, 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.

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 value-added tax debts of the entire Swissmetal Group.

There is a claim subject to subordination clause of CHF 3.0 million (previous year: CHF 2.0 million) towards Avins International Ltd, Dornach.

17 – Significant shareholders The following shareholders held more than 3% of the capital of Swissmetal Holding Ltd, Dornach, on the balance sheet date of 31 December 2008:

	31.12.2008*	31.12.2007*
Own shares	5.07%	
Gem Small & Mid Caps Switzerland (Fund Manager: Caceis Fastnet (Suisse) SA)**	4.44%	5.00%
Laxey Partners Ltd	32.90%	32.90%
3V Invest Swiss Small & Mid Cap (Fund Manager: Oppenheim Asset Service S.à r.l. and 3V Asset Management AG)	3.13%	

* The percentage corresponds to the last reported investment in the respective year.

** Fund Manager's name in 2007: FidFund Management SA.

18 – Compensations The compensation paid is disclosed in the consolidated financial statements in the note "Compensations and transactions with related parties".

19 – Risk assessment disclosure Swissmetal Holding Ltd, Dornach, is fully integrated into the group-wide risk assessment process of Swissmetal Group. This Swissmetal Group risk assessment process also 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:

	CHF 000
Retained earnings from previous years	11,045
Allocation to own shares reserves	-3,424
Result for the year	-5,696
Available earnings to the General Shareholders' Meeting	1,925
Proposal of the Board of Directors regarding the utilization of available earnings	
Carry-forward to new account	1,925

Dornach, 27 March 2009

For the Board of Directors:

Chairman: Dr. J. Friedrich Sauerländer

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 balance sheet, income statement and notes (pages 68 to 74), for the year ended 31 December 2008.

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 2008 comply with Swiss law and the company's articles of incorporation.

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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Basel, 31 March 2009

PricewaterhouseCoopers AG

Dr. Daniel Suter	Claudine Heitz
Audit expert	Audit expert
Auditor in charge	

**BERICHT DES VR-PRÄSIDENTEN UND DES CEO
DER JAHRESABSCHLUSS 2008 IM ÜBERBLICK**

80

82

Sehr geehrte Kunden, liebe Mitarbeiterinnen und Mitarbeiter, liebe Aktionäre und Geschäftspartner

Immer wieder machen wir bei der Erstellung des Geschäftsberichts die Erfahrung, wie weit weg einem bereits das vergangene Jahr vorkommt zu dem Zeitpunkt, zu dem wir uns mit diesem Dokument an Sie wenden.

Diesmal ist dieser Eindruck bei uns nochmals deutlich stärker. 2008 war ein durchaus bewegtes Jahr, über das es einiges zu berichten gibt. Und wir hoffen auch, Sie in diesem Geschäftsbericht angemessen über 2008 zu informieren. Doch selten verdrängte die Gegenwart die Ereignisse der jüngeren Vergangenheit so sehr. Die Weltwirtschaftskrise hat auch unsere Branche mittlerweile erfasst. Und sie verlangt von uns, dass wir uns voll und ganz auf die Bewältigung dieser Krise konzentrieren und unser Break-Even-Punkt möglichst niedrig ist.

Aber auch schon vor den Auswirkungen der Weltwirtschaftskrise war die Zeit für Swissmetal sehr herausfordernd. Im Januar 2008 nahmen wir unsere neue Extrusionspresse in Betrieb. Diese wartete in den Folgemonaten mit einigen ungeplanten „Kinderkrankheiten“ auf. Die instabile Funktionalität der Extrusionspresse selbst, das noch nicht abgestimmte Zusammenspiel mit Öfen, Auslauf, etc. sowie auch die Modernität der Anlage mit Computerterminals und Joysticks als Bedienungselementen – all dies war von unserem Extrusionspresse-Team zu bewältigen. Die aus den Problemen mit der neuen Installation resultierende reduzierte Produktionsleistung stellte sodann auch Swissmetal insgesamt vor eine schwierige Situation. Viele dieser Probleme sind heute behoben, auch wenn die „Zähmung des Biests“ noch nicht gänzlich abgeschlossen ist. Wir lernen weiterhin jeden Tag dazu und werden auch in einem Jahr nochmals auf einen rechten Fortschritt zurückblicken können. Sicherlich aber wollen wir, wenn die Weltwirtschaft wieder anzieht, alle Kundenaufträge annehmen und zeitgerecht bedienen können.

Dies war 2008 nicht immer so. So müssen wir in diesem Zusammenhang nicht ohne Wehmut davon berichten, dass bis zum Ende des dritten Quartals 2008 der Auftragseingang bei Swissmetal über den Vorjahreswerten lag, dass wir aber aufgrund der zuvor genannten Probleme mit der neuen Extrusionspresse nicht in befriedigender Weise davon profitieren konnten. Dennoch steckt in der Information über den Auftragseingang eine wichtige positive Botschaft: Unsere hochwertigen Spezialitätenprodukte werden weltweit geschätzt. Wir produzieren relevante, in der Realwirtschaft benötigte Güter. Und sie werden auch im zyklusbereinigten Trend immer mehr nachgefragt. Das ist positiv und sollte uns nach dem Vorüberziehen der weltwirtschaftlichen Wolken starken Rückenwind geben. Die letzten Jahre standen bei Swissmetal im Zeichen der Effizienzsteigerung, der Konsolidierung und Erneuerung. Wir haben heute viel bessere Kostenstrukturen als vor einigen Jahren. Erreichen wir allein den gleichen Umsatz wie in 2006 oder 2007, sollten wir profitabel wirtschaften und unser Zwischenziel für 2010, die Kapitalrendite von 9%, erreichen können.

All dies mag in Ihren Ohren dieser Tage nach ferner Zukunft klingen. Die Realitäten des Marktumfelds, die Instabilität der Finanzmärkte, die drohenden Konkurse im privaten und öffentlichen Sektor – all dies schwebt dieser Tage wie ein Damoklesschwert über uns allen. Als Unternehmen Swissmetal fühlen wir uns dabei vergleichsweise solide aufgestellt. Wir dürfen auch behaupten, krisenerprobt zu sein und zu wissen, wie der Gürtel, wenn notwendig, enger zu schnallen ist. Wir setzen alles daran, uns möglichst vorzubereiten auf das, was noch kommen kann.

Dass wir unser Bestes geben, dass unsere Mitarbeiter sich für Swissmetal einsetzen, haben wir in den vergangenen Jahren, die alles andere als leicht für unser Un-

ternehmen waren, bewiesen. Wir mussten uns – 2004 neu finanziert und mit einem zweiten Leben ausgestattet – wahrhaft neu erfinden. Und wir haben dies getan. Die neue Swissmetal, wie sie sich Ihnen heute präsentiert, ist ein robustes Unternehmen. Ist die Krise „bewältigbar“, dann werden wir sie bewältigen. Dies ist unsere tiefe Überzeugung.

All unseren treuen und sich mit Leidenschaft einsetzenden Mitarbeitern möchten wir an dieser Stelle danken für ihre grosse Leistung. Dankbar sind wir auch unseren langjährigen Kunden, sonstigen Geschäftspartnern, finanzierenden Banken und Investoren. Sie alle machen das aus, was Swissmetal geworden ist. Und wenn der Schatten dieser Weltwirtschaftskrise erst mal über uns verschwunden ist, dann sollten wir grosse Freude haben an unserem Unternehmen.

Mit freundlichen Grüssen,

Dr. J. Friedrich Sauerländer
Präsident des
Verwaltungsrats

Martin Hellweg
CEO und Mitglied des
Verwaltungsrats



KONSOLIDIERTE ERFOLGSRECHNUNG

Konsolidierte Erfolgsrechnung

TCHF	2008	%	2007	%	Veränderung absolut	Veränderung in %
Bruttoumsatz	324'871	257	406'959	274	-82'088	-20
· davon Umsätze mit Dritthandelswaren	22'781	18	26'395	18	-3'614	-14
Erlösminderungen	-12'179	-10	-12'711	-9	532	4
Nettoumsatz	312'692	247	394'248	265	-81'556	-21
Materialaufwand und Bestandesveränderungen	-186'273	-147	-245'729	-165	59'456	24
Bruttomarge	126'419	100	148'519	100	-22'100	-15
Personalaufwand	-66'292	-52	-74'744	-50	8'452	11
Betriebsaufwand	-48'916	-39	-45'135	-31	-3'781	-8
Operatives Ergebnis vor Abschreibungen (EBITDA)	11'211	9	28'640	19	-17'429	-61
Abschreibungen auf Sachanlagen	-10'521	-8	-10'584	-7	63	1
Abschreibungen auf immateriellen Werten	-3'043	-3	-3'509	-2	466	13
Operatives Ergebnis (EBIT)	-2'353	-2	14'547	10	-16'900	-
Finanzergebnis	-4'279	-3	-2'836	-2	-1'443	-51
Ordentliches Ergebnis	-6'632	-5	11'711	8	-18'343	-
Betriebsfremdes und ausserordentliches Ergebnis	217	0	1'547	1	-1'330	-86
Ergebnis vor Steuern (EBT)	-6'415	-5	13'258	9	-19'673	-
Steuern	-91	0	-1'886	-1	1'795	95
Ergebnis nach Steuern (EAT)	-6'506	-5	11'372	8	-17'878	-
Bruttobearbeitungsumsatz der produzierenden Werke	113'776		126'090		-12'314	-10
Personalbestand (Anzahl Vollzeiteinheiten) per 31. Dezember	685		763		-78	-10

Bruttoumsatz und Bruttobearbeitungsumsatz Im Jahr 2008 erzielte die Swissmetal-Gruppe einen konsolidierten Bruttoumsatz von CHF 324.9 Mio. (Vorjahr: CHF 407.0 Mio.). Für diesen 20%igen Umsatzrückgang lassen sich verschiedene Gründe anführen: Die rückläufigen Metallpreise hatten bei weitem den grössten Einfluss auf den Bruttoumsatz. Der Übergang der Produktion auf die neu installierte Extrusionspresse führte zu Lieferengpässen, die den Umsatz ebenfalls belasteten. Die Verschlechterung der Wirtschaftslage im vierten Quartal hatte zudem einen abrupten Umsatzrückgang bei Swissmetal zur Folge. Der Verkauf von Metallen im Rahmen des Lageroptimierungsprogramms wirkte sich mit CHF 7.7 Mio. (Vorjahr: CHF 4.0 Mio.) positiv auf den Bruttoumsatz aus.

Im Vergleich zum Vorjahr stieg der Umsatz im Marktsegment "Steckverbinder" im vierten Quartal und derjenige im Marktsegment "Decolletage" im ganzen Jahr leicht an. Das Marktsegment "Generatorenbau" verhielt sich im Vergleich zum Vorjahr stabil. Der Umsatz in den Segmenten "Elektrische Geräte", "Kugelschreiber", "Uhrenindustrie" und "Transportindustrie" blieb im Berichtsjahr hinter dem Vorjahr zurück. Der Markt für elektrische Geräte erlebte einen Wandel und verschob sich nach Asien. Auch hier wird Swissmetal Präsenz zeigen.

Das Handelsgeschäft über die Tochtergesellschaft Avins International Ltd, Dornach, ist im Ausbau begriffen. Es erbrachte einen Bruttoumsatz von CHF 22.8 Mio. Die Handelstochter Avins USA Inc., Warren/NJ, realisierte den grössten Umsatzanteil. In Lokalwährung betrug der Umsatzrückgang gegenüber dem Vorjahr 5%, in Schweizerfranken sogar 14%.

Der Bruttobearbeitungsumsatz (BBU) der produzierenden Werke, d. h. der den produzierenden Werken zurechenbare Bruttoumsatz abzüglich Metall zu Standardmetallkosten, belief sich auf CHF 113.8 Mio. Dies entspricht einem Rückgang von CHF 12.3 Mio. oder 10% gegenüber dem Vorjahr. Wie bereits erwähnt, war die Kapazität durch die Einführung der neuen Extrusionspresse beschränkt. Zudem verschlechterte sich – wie oben erwähnt – die Wirtschaftslage ab dem vierten Quartal.

Operatives Ergebnis (EBIT) Die Bruttomarge für das Jahr 2008 belief sich auf CHF 126.4 Mio. und lag somit um CHF 22.1 Mio. unter dem Vorjahr: Der Umsatzrückgang wurde zum Teil über das laufende Lageroptimierungsprogramm kompensiert, was sich in der oben genannten Differenz widerspiegelt. Im Rahmen des Optimierungsprogramms wird der Metallbestand im Produktionszyklus nach Möglichkeit abgebaut. Der operative Ertrag aus diesem Effizienzprogramm belief sich in 2008 auf CHF 9.2 Mio. (Vorjahr: CHF 7.1 Mio.). Er geht sowohl auf dem Verkauf physisch vorhandener Metalle als auch auf tiefere Einkäufe zurück. Die rückläufigen Metallpreise im vierten Quartal hatten einen negativen Abwertungseffekt zur Folge. Dadurch sank das operative Ergebnis im vierten Quartal.

Der Personalaufwand schlug im Jahr 2008 mit CHF 66.3 Mio. zu Buche und ging somit um CHF 8.5 Mio. oder 11% zurück. Das Verhältnis von Personalbestand zu Bruttomarge nahm von 50% (2007) auf 52% (2008) zu, da der Bruttoumsatz sich negativ entwickelte. Der durchschnittliche Personalbestand ging im Jahr 2008 von 801 auf 693 Vollzeiteinheiten zurück (per Stichtag 31. Dezember: 750 bzw. 685). Der Grund hierfür liegt im industriellen Umbau von Swissmetal.

Der Betriebsaufwand betrug im Jahr 2008 CHF 48.9 Mio. und übertraf das Vorjahr somit um CHF 3.8 Mio. Der Anstieg geht in erster Linie auf höhere Kosten für Betriebsstoffe durch die Inbetriebnahme der neuen Extrusionspresse und höhere Energiekosten zurück. Swissmetal erwirtschaftete im Jahr 2008 ein operatives Ergebnis vor Abschreibungen (EBITDA) von CHF 11.2 Mio. Im Vergleich zum Vorjahr entspricht dies einem Rückgang von CHF 17.4 Mio. (61%).

Insgesamt beliefen sich die Abschreibungen im Berichtsjahr auf CHF 13.6 Mio., CHF 0.5 Mio. weniger als im Vorjahr. Die Abschreibungen verringerten sich aufgrund von bis zum Vorjahr vollständig abgeschrieben Anlagen, deren Abschreibungsdauer verkürzt worden waren, und nahmen wegen der ersten Wertminderung der neuen Presse in Dornach zu.

Daraus ergibt sich ein operatives Ergebnis (EBIT) von CHF -2.4 Mio. Im Vergleich zum Vorjahr bedeutet dies ein Rückgang von CHF 16.9 Mio.

Ergebnis nach Steuern (EAT) Im Berichtsjahr verminderte sich das Nettofinanzergebnis im Vorjahresvergleich um CHF 1.4 Mio. auf CHF -4.3 Mio. Die Differenz beruht hauptsächlich auf Wechselkursdifferenzen über CHF 2.2 Mio. aufgrund des starken CHF. Es gelang, die Finanzaufwendungen zu senken und den Finanzertrag zugleich zu steigern.

Das nicht-operative und ausserordentliche Ergebnis umfasst unter anderem einen Erlös von CHF 0.2 Mio. im Zusammenhang mit dem Verkauf von Maschinen und der Neubewertung von Forderungen im Zusammenhang mit der 2004 erfolgten Refinanzierung.

Der Steueraufwand betrug im Berichtsjahr CHF 0.1 Mio. Dies entspricht einem Rückgang von CHF 1.8 Mio. im Vergleich zu 2007. Der Steueraufwand reduzierte sich aufgrund der aus dem Verlust resultierenden latenten Steueraktiven.

Das Ergebnis nach Steuern (EAT) ist mit CHF -6.5 Mio. insgesamt um CHF 17.9 Mio. geringer als im Vorjahr.

KONSOLIDIERTE BILANZ

Konsolidierte Bilanz

TCHF	31.12.2008	%	31.12.2007	%	Veränderung absolut	Veränderung in %
Umlaufvermögen	122'771	59	147'796	62	-25'025	-17
Anlagevermögen	87'025	41	89'143	38	-2'118	-2
Total Aktiven	209'796	100	236'939	100	-27'143	-11
Kurzfristiges Fremdkapital	53'156	25	51'979	22	1'177	2
Langfristiges Fremdkapital	32'561	16	46'855	20	-14'294	-31
Total Fremdkapital	85'717	41	98'834	42	-13'117	-13
Eigenkapital	124'079	59	138'105	58	-14'026	-10
Total Passiven	209'796	100	236'939	100	-27'143	-11

Die konsolidierte Bilanzsumme sank im Vergleich zum Vorjahr um CHF 27.1 Mio. auf CHF 209.8 Mio., in erster Linie aufgrund des rückläufigen Umlaufvermögens.

Auf der Aktivseite trägt das Umlaufvermögen mit CHF 122.8 Mio. 59% zur Bilanzsumme bei, während das Anlagevermögen mit CHF 87.0 Mio. einen Anteil von 41% daran hat.

Der Rückgang des Umlaufvermögens von CHF 25.0 Mio. (17%) gegenüber dem Vorjahr ergab sich aus dem Abbau von Forderungen sowie aus dem Lagerabbau und der -abwertung.

Das Anlagevermögen in Höhe von CHF 87.0 Mio. (Vorjahr: CHF 89.1 Mio.) verzeichnete den grössten Rückgang bei den immateriellen Anlagen. Per 31. Dezember 2008 standen die immateriellen Anlagen bei CHF 6.1 Mio. Sie setzten sich aus Goodwill aus der Übernahme von Swissmetal Lüdenscheid GmbH, Lüdenscheid, im Jahr 2006 und von Avins USA Inc., Warren/NJ, im Jahr 2007 sowie CHF 2.7 Mio. an Software und anderen immateriellen Anlagen zusammen.

Auf der Passivseite betrug der Anteil des Fremdkapitals mit CHF 85.7 Mio. 41% der Bilanzsumme, das Eigenkapital beanspruchte mit CHF 124.1 Mio. die restlichen 59%. Das kurzfristige Fremdkapital stieg um CHF 1.2 Mio. (2%) auf CHF 53.1 Mio. an. Der Rückgang der Metallpreise zum Jahresende sowie der Anstieg der zins-tragenden Lagerfazilität und des kurzfristigen Teils des Hypothekarkredits hatten einen massgeblichen Einfluss auf diese Entwicklung.

Das langfristige Fremdkapital lag mit CHF 32.6 Mio. Ende Dezember 2008 um CHF 14.2 Mio. unter dem Vorjahr. Die Rückzahlung des Pflichtlagerdarlehens von CHF 3.3 Mio. und der umgebuchte kurzfristige Teil des Hypothekarkredits verursachten diese Differenz.

Zum 31. Dezember 2008 belief sich die Nettoverschuldung auf CHF 46.6 Mio.

KONSOLIDIERTE GELDFLUSSRECHNUNG

Konsolidierte Geldflussrechnung

TCHF	2008	2007	Veränderung absolut	Veränderung in %
Geldfluss vor Veränderung des Nettoumlaufvermögens	7'260	22'883	-15'623	-68
Veränderung des Nettoumlaufvermögens	-5'764	-14'736	8'972	61
Geldfluss aus Geschäftstätigkeit (Operating Cash Flow)	1'496	8'147	-6'651	-82
Geldfluss aus Investitionstätigkeit	-12'253	-15'991	3'738	23
Free Cash Flow	-10'757	-7'844	-2'913	-37
Geldfluss aus Finanzierungstätigkeit	-1'968	8'456	-10'424	-
Fremdwährungseinfluss auf flüssigen Mitteln	-135	55	-190	-
Veränderung der flüssigen Mittel	-12'860	667	-13'527	-
Bestand flüssige Mittel am 1. Januar	21'065	20'398	667	3
Bestand flüssige Mittel am 31. Dezember	8'205	21'065	-12'860	-61

Swissmetal generierte im Jahr 2008 einen Geldfluss aus Geschäftstätigkeit von CHF 1.5 Mio. und lag somit um CHF 6.6 Mio. unter dem Vorjahr. Durch die Reduktion des Nettoumlaufvermögens entstand im Jahr 2008 ein Casheffekt von CHF -5.8 Mio. (Vorjahr: CHF -14.7 Mio.).

Im Berichtsjahr investierte Swissmetal insgesamt CHF 12.3 Mio. in materielle und immaterielle Anlagen (Vorjahr: CHF 12.2 Mio.), insbesondere in zahlreiche Massnahmen zur "laufenden Verbesserung": Umplatzierungen von technischen Einrichtungen zur Verbesserung der Arbeitsabläufe im Zusammenhang mit der neuen Presse, die Modernisierung bestehender Maschinen, Infrastrukturverbesserungen in Reconvilier (zur Vereinheitlichung der Produktion in einer einzigen Fabrikhalle) sowie in Lüdenscheid und Werkzeuge für die neue Presse.

Der Free Cash Flow erreichte im Jahr 2008 einen Wert von CHF -10.8 Mio. und ist daher um CHF 2.9 Mio. zurückgegangen. Dies ist in erster Linie auf Änderungen des Geldfluss vor Veränderung des Nettoumlaufvermögens zurückzuführen.

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Chers Clients, Collaborateurs, Actionnaires
et Partenaires d'affaires,

Une fois encore, au moment de réaliser le rapport annuel et de nous adresser à vous, nous nous rendons compte que l'année écoulée nous semble déjà bien loin.

Cette fois-ci, cette impression est encore plus marquée. 2008 a été une année particulièrement agitée, sur laquelle il y a bien des choses à dire. Et dans le présent rapport annuel, nous espérons pouvoir vous donner des informations appropriées sur l'exercice écoulé. Rarement auparavant, le présent n'avait autant éclipsé le passé proche. Entretemps, la crise économique mondiale a aussi touché notre branche. Et nous devons aujourd'hui mettre tout en œuvre pour la surmonter et faire en sorte que notre seuil de rentabilité reste aussi bas que possible.

Mais bien avant de connaître les répercussions de la crise économique mondiale, Swissmetal était déjà confronté à une période de défis. En janvier 2008, nous avons démarré notre nouvelle presse à extrusion. Cette dernière nous a réservé quelques surprises non prévisibles au cours des mois suivants. Notre équipe a dû venir à bout de diverses difficultés liées entre autres au fonctionnement instable de la presse, à son interaction non encore coordonnée avec les fours, les livraisons, etc., ainsi qu'à la gestion complexe de cette installation moderne utilisant des terminaux informatiques et des joysticks. Les problèmes de la nouvelle presse ont également réduit notre performance d'exploitation, ce qui a mis tout Swissmetal dans une situation difficile. Un bon nombre de ces problèmes sont maintenant résolus, même si le « domptage de la bête » n'est pas encore tout à fait terminé. Tous les jours, nous apprenons encore de nouvelles choses et nous pourrions dans un an à nouveau jeter un coup d'œil rétrospectif

sur de réels progrès à ce niveau. Nous voulons bien sûr être en mesure d'accepter toutes les commandes des clients et les honorer dans les délais lorsque l'économie mondiale repartira.

Cela n'a pas toujours été le cas en 2008. Ce n'est pas sans regret que nous devons vous informer que jusqu'à la fin du troisième trimestre 2008, le nombre des entrées de commande chez Swissmetal était au-dessus de celui de l'année précédente, mais qu'en raison des problèmes de la nouvelle presse susmentionnés, nous n'avons pas pu en profiter de manière satisfaisante. Les entrées de commande nous délivrent néanmoins un message important et positif: nos spécialités haut de gamme sont reconnues et appréciées dans le monde entier. Nous produisons des biens qui sont nécessaires à l'économie réelle. Et même au-delà de la tendance cyclique, la demande de nos produits s'accroît. Cela est positif et devrait nous donner une nouvelle impulsion lorsque l'économie mondiale se reprendra. Chez Swissmetal, les dernières années ont été placées sous le signe de l'augmentation de l'efficacité, de la consolidation et du renouveau. Nos structures de coûts sont bien meilleures aujourd'hui qu'il y a quelques années. Si nous parvenions à revenir au chiffre d'affaires de 2006 ou de 2007, alors nous devrions être profitables d'un point de vue économique et atteindre notre objectif intermédiaire pour 2010, qui est d'arriver à un taux de rendement du capital de 9%.

Tout cela peut vous paraître encore bien lointain. Les réalités du marché, l'instabilité des marchés financiers et les menaces de faillite dans le secteur privé ou public planent aujourd'hui au-dessus de nos têtes comme une épée de Damoclès. Chez Swissmetal, nous nous sentons relativement bien parés. Nous pouvons même prétendre avoir une certaine expérience en matière de crise et nous savons faire des sacrifices lorsque cela est nécessaire. Nous mettons tout

en œuvre pour être prêts à faire face à ce qui peut encore arriver.

Nous avons prouvé, au cours des années précédentes, que nous donnons le meilleur de nous-mêmes et que nos employés s'engagent pour Swissmetal dans les moments plus que difficiles pour l'entreprise. Après le refinancement de 2004 et à l'aube d'une seconde vie, nous avons réellement dû nous redéfinir. Et nous y sommes parvenus. La nouvelle entreprise Swissmetal telle que vous la connaissez aujourd'hui est robuste. Si la crise est « surmontable », nous la surmontrons: c'est notre conviction profonde.

Nous aimerions à cette occasion remercier tous nos collaborateurs, qui nous sont fidèles et qui font leur travail avec ferveur et passion. Nous sommes également reconnaissants envers nos clients de longue date, nos autres partenaires d'affaires, les banques qui nous financent et les investisseurs.

Vous tous êtes à l'origine de ce que Swissmetal est devenue aujourd'hui. Et le jour où la crise économique mondiale sera derrière nous, nous pourrions être fiers de notre entreprise.

Avec nos salutations les plus sincères,

Dr. J. Friedrich Sauerländer
Président du Conseil
d'administration

Martin Hellweg
CEO et Membre du
Conseil d'administration



COMPTE DE RÉSULTAT CONSOLIDÉ

Compte de résultat consolidé

kCHF	2008	%	2007	%	Variation absolue	Variation en %
Chiffre d'affaires brut	324'871	257	406'959	274	-82'088	-20
· dont chiffre d'affaires réalisé avec des produits tiers	22'781	18	26'395	18	-3'614	-14
Déduction sur ventes	-12'179	-10	-12'711	-9	532	4
Chiffre d'affaires net	312'692	247	394'248	265	-81'556	-21
Charges de matières et variation des stocks	-186'273	-147	-245'729	-165	59'456	24
Marge brute	126'419	100	148'519	100	-22'100	-15
Charges de personnel	-66'292	-52	-74'744	-50	8'452	11
Charges d'exploitation	-48'916	-39	-45'135	-31	-3'781	-8
Résultat opérationnel avant amortissements (EBITDA)	11'211	9	28'640	19	-17'429	-61
Amortissements des immobilisations corporelles	-10'521	-8	-10'584	-7	63	1
Amortissements des immobilisations incorporelles	-3'043	-3	-3'509	-2	466	13
Résultat opérationnel (EBIT)	-2'353	-2	14'547	10	-16'900	-
Résultat financier	-4'279	-3	-2'836	-2	-1'443	-51
Résultat ordinaire	-6'632	-5	11'711	8	-18'343	-
Résultat hors exploitation et exceptionnel	217	0	1'547	1	-1'330	-86
Résultat avant impôts (EBT)	-6'415	-5	13'258	9	-19'673	-
Impôts	-91	0	-1'886	-1	1'795	95
Résultat après impôts (EAT)	-6'506	-5	11'372	8	-17'878	-
Valeur ajoutée brute des usines de production	113'776		126'090		-12'314	-10
Effectifs (nombre d'unités en équivalent temps plein) au 31 décembre	685		763		-78	-10

Chiffre d'affaires brut et valeur ajoutée brute Le Groupe Swissmetal a réalisé en 2008 un chiffre d'affaires brut de CHF 324.9 millions (année précédente: CHF 407.0 millions). Divers facteurs sont à l'origine du recul de 20%: la baisse des prix des métaux a eu l'impact le plus important. Le transfert de la production sur la nouvelle presse à extrusion a provoqué des goulets d'étranglement au niveau des capacités de livraison, ce qui s'est également répercuté sur le chiffre d'affaires. De plus, Swissmetal a subi un recul abrupt de son chiffre d'affaires au quatrième trimestre 2008 en raison de la détérioration de la situation économique. En revanche, la vente de métaux dans le cadre du programme d'optimisation des stocks a eu un effet positif sur le chiffre d'affaires et y a contribué à hauteur de CHF 7.7 millions (année précédente: CHF 4.0 millions).

Comparé à l'année précédente, le chiffre d'affaires généré dans le secteur du décolletage a légèrement augmenté. Dans le secteur de la connectique, cette augmentation n'est visible que pour le quatrième trimestre. Le secteur de la construction de générateurs est resté stable par rapport à 2007. Quant aux ventes dans les segments des composants électriques, de la bureautique, de l'industrie horlogère et de l'industrie des transports, elles ont été inférieures, en 2008, à celle de l'année précédente. Le marché des composants électriques a évolué et s'est déplacé vers l'Asie, où Swissmetal va également marquer sa présence.

En ce qui concerne les activités de négoce qui se développent au travers de la filiale Avins International Ltd, Dornach, elles ont généré un chiffre d'affaires brut de CHF 22.8 millions, dont la majeure partie a été réalisée par la société commerciale Avins USA Inc., Warren/NJ. Comparées à l'année précédente, les ventes ont baissé de 5% en monnaie locale ou de 14% en francs suisses.

La valeur ajoutée brute (VAB) des usines de production, c'est-à-dire leur chiffre d'affaires brut moins le métal à son coût standard, s'est montée à CHF 113.8 millions, soit un recul de 12.3 millions ou de 10% par rapport à l'année précédente. Comme cela a déjà été mentionné, ce résultat s'explique par les problèmes de capacité liés à l'introduction de la nouvelle presse à extrusion et par la détérioration de la situation économique au quatrième trimestre.

Résultat opérationnel (EBIT) En 2008, la marge brute a atteint CHF 126.4 millions, soit une baisse de CHF 22.1 millions par rapport à l'année précédente. Cette différence intègre non seulement le recul du chiffre d'affaires, mais aussi des bénéfices générés par le programme d'optimisation des stocks de production. Ce dernier permet de réduire la quantité de métaux dans le cycle de production grâce à des efforts sur le plan opérationnel. En 2008, le gain opérationnel provenant de l'optimisation des stocks s'est élevé à CHF 9.2 millions (année précédente: CHF 7.1 millions). Ce résultat provient non seulement de la vente de métaux à partir du stock physique, mais aussi d'achats plus faibles. La baisse des prix des métaux au quatrième trimestre a eu pour conséquence une dépréciation de valeur, ce qui a réduit le résultat opérationnel au dernier trimestre de 2008.

Les charges de personnel se sont élevées à CHF 66.3 millions en 2008, soit une baisse de CHF 8.5 millions ou de 11%. Le rapport des charges de personnel à la marge brute est passé de 50% en 2007 à 52% en 2008, en raison de la baisse du chiffre d'affaires. L'effectif moyen a diminué par rapport à l'année précédente en passant de 801 postes à temps plein en 2007 à 693 en 2008 (situation au 31 décembre: 750 en 2007 et 685 en 2008). Cette baisse résulte de la restructuration industrielle de Swissmetal.

Les charges d'exploitation et d'administration ont atteint CHF 48.9 millions en 2008, soit une hausse de CHF 3.8 millions par rapport à l'exercice précédent. Cette progression s'explique avant tout par l'augmentation des coûts de fonctionnement pour la mise en route de la nouvelle presse à extrusion et par l'augmentation des coûts énergétiques. Swissmetal a réalisé en 2008 un résultat opérationnel avant amortissements (EDITDA) de CHF 11.2 millions, soit une baisse de CHF 17.4 millions ou de 61% par rapport à 2007.

Pour l'exercice 2008, les amortissements se sont montés à CHF 13.6 millions, soit un recul de CHF 0.5 million par rapport à l'année précédente. Les amortissements ont diminué grâce aux immobilisations complètement amorties à l'année précédente suite à des délais d'amortissements écourtés et ont augmenté en raison du premier amortissement de la nouvelle presse à Dornach.

Ceci donne un résultat opérationnel (EBIT) de CHF -2.4 millions, soit un recul de CHF 16.9 millions par rapport à 2007.

Résultat après impôts (EAT) En 2008, le résultat financier net a diminué de CHF 1.4 million par rapport à l'année précédente, pour atteindre CHF -4.3 millions. La différence s'explique principalement par des différences de change de CHF 2.2 millions résultant d'un franc suisse fort. Les charges financières ont pu être réduites en même temps que les produits financiers ont pu être augmentés.

Le résultat hors exploitation et exceptionnel comprend un gain de CHF 0.2 million provenant de la vente d'immobilisations et d'une réévaluation de créances dans le cadre du refinancement de 2004.

En 2008, la charge d'impôts s'est élevée à CHF 0.1 million, ce qui correspond à une baisse de CHF 1.8 million par rapport à 2007. La charge d'impôts a diminué grâce aux impôts différés provenant du résultat après impôts négatif.

Le résultat après impôts (EAT) a diminué de CHF 17.9 millions par rapport à l'année précédente, pour atteindre CHF -6.5 millions.

BILAN CONSOLIDÉ

Bilan consolidé						
kCHF	31.12.2008	%	31.12.2007	%	Variation absolue	Variation en %
Actif circulant	122'771	59	147'796	62	-25'025	-17
Actif immobilisé	87'025	41	89'143	38	-2'118	-2
Total actif	209'796	100	236'939	100	-27'143	-11
Fonds étrangers à court terme	53'156	25	51'979	22	1'177	2
Fonds étrangers à long terme	32'561	16	46'855	20	-14'294	-31
Total fonds étrangers	85'717	41	98'834	42	-13'117	-13
Fonds propres	124'079	59	138'105	58	-14'026	-10
Total passif	209'796	100	236'939	100	-27'143	-11

Comparé à l'exercice précédent, le bilan consolidé a reculé de CHF 27.1 millions, pour atteindre CHF 209.8 millions. Ce repli est principalement dû à la baisse de l'actif circulant.

Du côté de l'actif, l'actif circulant d'un montant de CHF 122.8 millions contribue à 59% au bilan, alors que l'actif immobilisé d'un montant de CHF 87.0 millions y contribue à 41%.

Le recul de l'actif circulant de CHF 25.0 millions (17%) par rapport à l'année précédente résulte de la réduction de créances ainsi que de la réduction et de la dévaluation des stocks.

L'actif immobilisé d'un montant de CHF 87.0 millions (année précédente: CHF 89.1 millions) enregistre la plus grande baisse au niveau des immobilisations incorporelles. Ces dernières s'élevaient à CHF 6.1 millions au 31 décembre 2008. Ces immobilisations se composent d'un goodwill de CHF 3.4 millions provenant de l'acquisition de Swissmetal Lüdenscheid GmbH, Lüdenscheid, en 2006 et de celle d'Avins USA Inc., Warren/NJ, en 2007, ainsi que des logiciels et d'autres immobilisations incorporelles d'une valeur de CHF 2.7 millions.

Du côté du passif, la part que représentent les fonds étrangers contribue à 41% au bilan avec un montant de CHF 85.7 millions. Quant aux fonds propres, ils correspondent aux 59% restants, soit CHF 124.1 millions. Les fonds étrangers à court terme d'un montant de CHF 53.1 millions ont augmenté de CHF 1.2 million (2%). La baisse des prix des métaux en fin d'année ainsi que l'augmentation de la base d'emprunt comportant des intérêts (garanti par l'actif circulant) et l'augmentation de la part à court terme du crédit hypothécaire ont essentiellement contribué à cette évolution.

Les fonds étrangers à long terme d'un montant de CHF 32.6 millions à fin décembre 2008 ont baissé de CHF 14.2 millions par rapport à l'année précédente. Cette différence résulte du remboursement d'emprunts pour le financement du stock obligatoire à hauteur de CHF 3.3 millions et un transfert pour la part à court terme du crédit hypothécaire.

L'endettement net a atteint CHF 46.6 millions au 31 décembre 2008.

TABLEAU DE FINANCEMENT CONSOLIDÉ

Tableau de financement consolidé

kCHF	2008	2007	Variation absolue	Variation en %
Flux de trésorerie avant variation du fonds de roulement net	7'260	22'883	-15'623	-68
Variation du fonds de roulement net	-5'764	-14'736	8'972	61
Flux de trésorerie relatifs à l'exploitation (operating cash-flow)	1'496	8'147	-6'651	-82
Flux de trésorerie relatifs aux investissements	-12'253	-15'991	3'738	23
Free cash-flow	-10'757	-7'844	-2'913	-37
Flux de trésorerie relatifs au financement	-1'968	8'456	-10'424	-
Différences de change relatives aux liquidités	-135	55	-190	-
Variation des liquidités	-12'860	667	-13'527	-
État des liquidités au 1 ^{er} janvier	21'065	20'398	667	3
État des liquidités au 31 décembre	8'205	21'065	-12'860	-61

Swissmetal a dégagé en 2008 un flux de trésorerie relatifs à l'exploitation de CHF 1.5 million, ce qui représente une baisse de CHF 6.6 millions par rapport à l'année précédente. La réduction de l'actif circulant net a eu un impact sur les liquidités à hauteur de CHF -5.8 millions en 2008 (année précédente: CHF -14.7 millions).

En 2008, Swissmetal a engagé des investissements en immobilisations corporelles et incorporelles de l'ordre de CHF 12.3 millions (année précédente: CHF 12.2 millions). Elles concernent tout particulièrement de nombreuses mesures visant l'amélioration continue: déplacement d'installations techniques pour améliorer les processus de production en lien avec la nouvelle presse, modernisation de machines existantes, optimisation de l'infrastructure à Reconvilier pour le regroupement de la production dans un seul et même bâtiment, optimisation d'infrastructures à Lüdenscheid, ainsi que de nouveaux outils pour la nouvelle presse.

Le Free Cash Flow a atteint CHF -10.8 millions en 2008, soit une baisse de CHF 2.9 millions, ce qui s'explique avant tout par les changements mentionnés au niveau des flux de trésorerie et de l'actif circulant net.

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