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Ladies and Gentlemen,
Dear Shareholders,

2005 was a dynamic year, and precious metals have gained enormous respect among investors. Although our company was challenged in many ways, for the most part we were able to react in a manner that led to positive results. Our four divisions have been affected in performance terms by marketplace changes and alterations in business models, while the strong price increases in precious metals positively impacted the Refining Division in the second half of the year. High demand for consumer goods and continued rapid electrification in Asia led to solid growth in Electrotechnics, and the operational improvements implemented in this area helped to increase our market share in Europe. There has been a faster-than-expected shift of jewelry and electronics production from Europe to Asia, which has had a negative effect on Advanced Coatings.

We also changed our business model for Advanced Coatings in the USA, which led to a reduction in activity but a decrease in credit exposure in a weak plating marketplace. The Watches and Jewelry Division saw a healthy growth in activity. We are confident that the business-model changes relating to the financing aspect of metals, while painful to implement, will be beneficial for the future of this activity. The new products launched in 2004 and 2005 have been included in a new business unit called Technology Products, which includes electroluminescence, solar pastes, pharmaceutical products and catalysts.

The shareholding of Metalor has changed in the intervening period. The company purchased the remaining shareholding of UBS, as had been stipulated in the agreements with the private investors, and a part of these shares have subsequently been destroyed. This is a significant event in the history of the company, from the standpoint of having made a successful transition from the banking community to an independent, privately held company. At the same time, all of our banking partners have renewed or even increased their commitment to precious-metal leasing. The Dental Division was, as previously announced, spun off during the year, and we wish their team all the best for the future.

Several of the development projects have made important advances. The Pharma project in Neuchâtel is now in the validation process, Electrotechnics production will have started in China by the first quarter of 2006, and demand for gold chemicals in China is strong. We have taken a step back on Electroluminescense, and will now focus on paste systems rather than panel production. There are currently three nanoparticle initiatives underway, with medium-term prospects, all of them with strategic partners.
The situations described above led to a continued improvement in consolidated operating margin of 9% as compared to the 2004 result of 6%. The sale of non-financial assets contributed a large non-operational profit for the period resulting in net earnings 67% ahead of the previous year. It is worth mentioning that this sale of equities will not be repeated in the future, as this was the final tranche of investments that began in 2000.

Revenue growth in CHF terms for the four business units was 4% ahead of 2004. From a geographical standpoint, in local currency terms, there was solid growth in China, the United Kingdom, France and Sweden, as well as Switzerland and Germany. However, there was a decrease in revenue from Hong Kong, Italy, Singapore and Spain in 2005.

**Advanced Coatings**

Revenues in this division decreased by 8%, as compared to the previous year. The European subsidiaries experienced poor profitability, due to the decorative market shifting to Asia, and some restructuring is foreseen for 2006. The US plating business was downsized by tightening trading terms, and interest rates on some Platinum Group Metals increased costs in the Rome production facility. The downturn in Asian electronics production during the fourth quarter of 2004 was felt during the first two quarters of 2005, and was the largest contributor to the decline in sales. On the positive side, the Chinese plant has reached capacity for silver chemicals, and the gold chemicals plant will be doubled during 2006.

**Electrotechnics**

The Electrotechnics Division achieved a 15% revenue increase as well as a 21% improvement in operating results during 2005. Over 90% on-time delivery from the French and German plants to our customers allowed us to increase market share steadily against fierce price competition. Improvements in scrap rate, together with process innovation and investments in new technology, also helped to improve margins. The Chinese production plant is currently being fitted with equipment either delivered from our French plant or purchased locally. Planning has begun for a possible production expansion into India.

**Refining**

Boosted by the fourth quarter’s strong increase in metals prices, the Refining Division was able to recover the first half-year shortfall and the sales were 3% lower than the previous year. Volumes in the Swiss refinery were increased by both a shift of Latin American dore from the US refinery and a last-quarter volume boost from metal price increases. The US refinery was restructured, starting
A special thanks goes to all our employees around the world who have worked hard during 2005 to achieve an improved performance.

Martin Bisang
Chairman of the Board of Directors

Dr Scott Morrison
Chief Executive Officer

Prospects for the Future

Looking at 2006, most industry reports, client discussions, and late-year revenue trends lead us to believe that the coming year should bring similar levels of growth and profitability. Precious metals are at their highest value since 25 years, which initially brings some of the business positive results, but may eventually dampen some consumption, particularly in the jewelry sector. We expect the electronics industry sector and our Asian operations to continue with strong growth, so we will continue to invest in this area. The new product lines will receive strong management support in 2006 in order to ensure that targets are achieved for proper resource allocation.

The Board of Directors and the Management would like to take this opportunity to express our sincere appreciation to all our clients, financial and business partners, and shareholders for their continued support.

Watches and Jewelry

Another year of strong sales growth was achieved, with a consolidated increase of 12% over 2004. A mid-year business model change, prompted by a major customer for the Neuchâtel watch plant, impacted profitability due to increased leasing charges for precious metals. Residence time of metals was decreased by over 20%. Logistics continue to improve and fourth quarter price adjustments should increase profitability in 2006. Jewelry sales in most European subsidiaries decreased in 2005 as production sites shifted to Asia. Several new colored alloys were developed for the watch industry.

from the second quarter with a staff reduction of 29% in order to offset the material switch, and re-focused its activities on the traditional jewelry scrap market. Deliveries from the Hong Kong melting facility were strong throughout the year. Overall profitability for the division was satisfactory.
A GLOBAL GROUP

Founded in 1852 in Le Locle in the heart of Switzerland’s watchmaking industry which was then rapidly expanding at the time, the “preliminary rolling factory” of Martin de Pury & Cie provided services to the watchmakers of the region. These included the operation of a gold smelter and the manufacture of watch cases. For over 140 years the smelter was in the hands of bankers – the Banque du Locle between 1864 and 1918, and then from 1918 to 1998 the Société de Banque Suisse (SBS), which gave it the name “Métaux Précieux SA Metalor”. Metalor eventually outgrew its banking and watchmaking role and in 1950 began to offer services to a number of other industries across the world, which have a common need for precious metals.

Relocated to Neuchâtel in 1947 the Metalor Group continued to grow and expand, adding new factories in France and the United States to its network, followed by China. Metalor’s industrial destiny was further strengthened in 1998 when a group of Swiss investors from industry acquired a majority shareholding. As of April 2001 the name “Metalor Technologies” became part of the corporate logo of all Group companies.

INNOVATION AND QUALITY

The know-how which Metalor has developed over the years, the exceptional quality of its products and its ability to anticipate market trends and requirements have earned the company a reputation for excellence all over the world. Today Metalor supplies precious metals and advanced materials to partners in industries as varied and demanding as electronics, electrical engineering, and the manufacture of luxury watches. The company’s ability to innovate and come up with reliable technology has attracted the leading names in industry, fostering the development of new market segments for partners looking for precious-metal based innovation.

Metalor has four divisions, each corresponding to a group of specific markets: Refining for the processing of precious metals and the manufacture of ingots; Advanced Coatings for electronic and decorative applications; Watches and Jewelry, which includes jewelry and luxury watch products and Electrotechnics, serving the electrical contacts market. At present the Metalor Group includes some 17 companies on four continents with a total staff worldwide of more than 1 100.
**Key Statistics**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (excluding PM value, in CHF million)</td>
<td>247.9</td>
<td>270.4</td>
<td>270.1</td>
</tr>
<tr>
<td>EBIT (in CHF million)</td>
<td>21.4</td>
<td>17.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Net profit (in CHF million)</td>
<td>40.8</td>
<td>24.5</td>
<td>23.7</td>
</tr>
<tr>
<td>Headcount FTE (December 31)</td>
<td>1,151</td>
<td>1,288</td>
<td>1,335</td>
</tr>
</tbody>
</table>

*Dark blue*: countries in which the Metalor Group is represented by its subsidiaries.
ReFInIng DIvIsION
CONTINUED SUCCESS

The Refining Division enjoyed continued success by offering better and more convenient services to its clients around the world. Expanded geographical coverage and more diversified sources of materials have led to volume increases. The campaign on technical and logistical improvements, which was initiated in 2005, has brought benefits in reduction of both metal throughput time and manufacturing costs.

The US refinery was restructured in 2005 and this has brought new vigor to the operation. Together with the installation of an improved refining process, the US refinery is well on its way to gain more market shares.

AdVanCeD COATINGS DIvIsION
ESTABLISHMENT OF NEW BUSINESS UNITS

In 2005, the Advanced Coatings Division continued to follow the development in the market and pursued its consolidation within Europe and the USA and the development of its activities in the Far East.

The Catalyst business unit was launched, with positive reactions from this highly specialized market. The Electroluminescence business unit expanded its technical development centre in La Chaux-de-Fonds and is now established as a paste development partner and international supplier. The marketing concept has been introduced under the brand name Briflex®.
In 2005, the Watches and Jewelry Division focused on continued improvement, in order to always offer its customers better services. A reduction in production lead times and quality improvements resulted in a significant increase in service levels and consequently increased market share. Furthermore, flexibility in the logistics processes led to better cost control, linked to the financing of tooling stock.

The Electrotechnics Division saw two significant accomplishments in 2005: customer service improvement and new product developments.

The Electrotechnics Division has also started to run an operation in Suzhou, China, in line with its customers’ development in Asia.
The Refining Division, which ranks among the leading professional players in the refining of precious metals, is recognized not only for its high quality products, but also for its reliable and high quality services. In recent years, Metalor has been focusing on continuous improvements in efficiency and improved services to its customers.

**MEETING CUSTOMERS’ NEEDS**

The Refining Division specializes in recycling precious metals, such as gold, silver, platinum, palladium and rhodium. Client batches, in the form of mining dore or scrap of miscellaneous origin, are first evaluated to determine their precious-metal content. They are then processed in one of the three refining facilities located in Switzerland, USA and Hong Kong. Once separated and purified in refining processes, fine metals are converted into grains, powders or ingots for industrial and banking purposes.

The Refining Division has ISO 9001:2000 certification and delivers an impeccable service to its customers, irrespective of where they are in the world. Proactive and experienced sales teams, with locations around the world, actively serve the local markets. Our refineries and evaluation centers guarantee the reliability and speed of the evaluation and refining processes, which allows Metalor to play an active part in opening up new markets.

**THE QUEST FOR EXCELLENCE**

Maintaining its reputation of Swiss excellence is a top priority for the Refining Division. The sustained efforts made to continuously improve our processes have enabled us to win our customers’ trust. Speed and high reliability are the two vital ingredients for success in refining. The evaluation service we offer is acknowledged to be very efficient and quick in delivering extremely accurate results. The quality of the analyses led to Metalor being nominated as an “official reference” by the London Bullion Market Association. Moreover, the division has developed quality to such an extent that it can offer materials of exceptional purity to serve the needs of high-tech and electronics sectors.
The Refining Division applies the highest possible ethical standards in its business relations, with a requirement for particular vigilance in this area. A policy of continuous investment also enables us to make full use of our industrial capacity at all times, while integrating environmental protection considerations as well as ensuring safety standards that are properly adapted to the refining industry. The division has ISO 14001:1996 certification.

**Continuous efforts**

The significant improvement in productivity in the Refining Division in recent years has only been possible thanks to the efforts made by its staff members. With enthusiasm, they have demonstrated that persevering with a strategy aimed at customers’ satisfaction inevitably leads to success.
The Advanced Coatings Division delivers innovative solutions in electroplating, powders and pastes, electroluminescence, pharmaceutical products and catalysts. These products are used in a wide variety of businesses such as general electronics, semiconductor, decorative, and multi-disciplinary industrial sectors.

**Guaranteed results!**

By supplying precious metals in various forms, Metalor Advanced Coatings ensures high technical performance in terms of wear resistance and conductivity for electronic products (connections, printed circuits, semi-conductors). It also gives a remarkably pleasing appearance to decorative products (clocks, jewelry, fancy leather goods and spectacles). These industries are characterized by highly competitive trading conditions. They therefore seek partners such as Metalor that are capable of meeting all their needs quickly and worldwide, and who can guarantee a standard of technical assistance capable of meeting increasingly specific requirements.

**Global Positioning**

The Advanced Coatings Division develops, manufactures and distributes salts, processes, powders and pastes, anticancer agents, precious metal compounds and catalysts – based on precious metals such as gold, platinum, silver and rhodium – at its production sites in Europe, the USA and Asia. In order to monitor and respond to changes in demand, Metalor has moved into the industrial heart of China, where a production site for silver salts has been established along with a smelting shop and analysis laboratory in Suzhou, close to Shanghai. This plant not only serves the local market but is also in line with the strategy of developing Advanced Coatings operations in Southeast Asia.

**Know-how and product development**

The sales forces working in the main markets, backed up by local and regional technical support, enable us to offer a comprehensive range of powders, flakes, pastes, compounds, salts, solutions and processes based on precious metals. Metalor provides a practical response to its customers’ ongoing concerns about cost-cutting by offering products and processes that call for fewer precious metals.
and by speeding up production times, thus reducing requirements for materials. Always ready to provide guidance to customers on new process developments, Metalor follows developments closely in its markets in order to direct its operations towards promising areas. The Advanced Coatings Division has ISO 9001-2000 and ISO 14001:1996 certifications.

A SINGLE PARTNER

The Division relies on the renowned expertise of the Metalor Group in the field of fine precious metals to ensure high-quality salt production. This enables it to build a real partnership with its customers by providing a comprehensive service, covering the entire cycle of recovering and refining scrap containing precious metals. Ongoing technical training and the commitment of all our staff over the years has enabled us to provide a personalized service in all markets, thus contributing to the success of Metalor Advanced Coatings operations.
The Watches and Jewelry Division specializes in developing, manufacturing, selling and distributing precious metals in the form of alloys and semi-finished and finished products for the watch-making, jewelry and industrial markets.

**RELIABILITY OVER TIME**

The industries served by the Watches and Jewelry Division are characterized by a demand that is particularly sensitive to economic cycles and the price of precious metals. In addition, for some years now traditional customers in the world of watch-making have embarked on a process of buying out trademarks and reorganizing production according to a vertical model. This has led to changes in industrial relations based on greater flexibility. However, Metalor is proving itself to be a reliable partner, irrespective of the state of the market, thanks to its unfailing quality standards and its renowned industrial flexibility.

**DIVERSITY OF SKILLS**

Using its skills in metallurgy, the Watches and Jewelry Division serves two types of industries, each with its own distinct needs. Over the decades, Metalor has become the benchmark in top-end Swiss watch-making, thanks to its ability to shape in mass production a wide range of alloys of precious metals used for making cases, bracelets, and various components for watch assembly.

Through a process of synergy and working together with watch-making specialists, Metalor is emerging as the preferred partner of leading jewelers and their suppliers. It achieves this by offering them various products (wires, tubes, tapes, brazing and casting blocks) in alloys developed within the company. Through its knowledge-based skills and “Made in Switzerland” quality, Metalor is also well placed to open up new industrial markets by offering products for coatings made of thin layers and sliding contacts for sensors. The division offers its customers a single contact person for all activities associated with precious metals. It offers them a service for refining manufacturing scrap and managing their precious-metal accounts, as well as a high-performance tooling sector.

**EXPERTISE AND FLEXIBILITY**

The Technology Services department is there to serve customer needs: it tests, develops and industrializes alloys specific to particular customers. Ongoing research and development work by Metalor’s experts and total control of the metallurgy of precious metals allow us to offer a range of alloys completely in line with the requirements of the various markets. With the development of special alloys for the watch industry and at
the customer’s request, the Division actively contributed to the creation of a new product range.

High product quality and fast service are achieved by an industrial organization that is continuously being improved, and by a production capacity that is constantly being adapted to suit customer demand. The creation of autonomous units makes it possible to delegate responsibility to staff and increase their versatility and efficiency. Greater flexibility in production is also ensured through a continuous casting capacity which is at the forefront of progress. These various measures mean that Metalor is able to enhance the quality of its products and adhere to promised delivery dates.

The Watches and Jewelry Division guarantees all its customers a secured workflow in close liaison with the many people involved in the supply chain. The combination of its know-how and its unique skills also makes it possible to deliver finished items for new industries such as luxury mobile phones.
Metalor’s Electrotechnics Division converts silver metal into electrical contacts, improving the safety and durability of electrical devices throughout their working life. The Division meets the increasing demands of the electrical industry with its expertise in metallurgy, its organizational flexibility and its desire to innovate, working in partnership with its customers.

EXPERTISE IN METALLURGY

The Electrotechnics Division is renowned for its ability to convert silver metal (Ag) for the purpose of producing mainly pseudo-alloys, either by extrusion or die-compaction. Electrical contacts are often multi-layered and combine the properties of silver with those of other materials (tungsten, graphite, tin oxide, nickel, etc.) in order to ensure high electrical conductivity and strong erosion resistance and welding. This expertise in metallurgy is combined with significant know-how in manufacturing, mixing and compacting powders. Metalor Electrotechnics is continually reviewing its product range, and offers over 2000 types of semi-finished products, rivets, tips, assembled contacts and sliding contacts.

GUARANTEED PERFORMANCE

Metalor Electrotechnics contributes to the safety and durability of electrical appliances (switches, contactors, circuit-breakers, relays) intended for markets such as electrical distribution, automation, transportation (automotive, aerospace, railways) and household. The quality of the Electrotechnics Division’s products results in high technical performance and renowned reliability, making it a preferred supplier of large world groups in the electrical industry. Metalor is constantly improving its productivity by automating its production lines and also expanding its product range. The continuous upgrading of skills is achieved through a sustained R&D effort to develop new materials such as indium-doped alloys or by applying the bi-extrusion process to an increasing number of alloys.

A COMPLETE PARTNERSHIP

Thanks to an organization based on multidisciplinary teams and integrated logistics, Metalor Electrotechnics is a supplier of total solutions, in partnership with its customers. The Electrotechnics Division has a presence, directly or indirectly, in over 50 countries in order to meet the particular demands of customers in a market having distinct characteristics in each region of the world.

Prior approval of materials by the customer is a stage that calls for strong relationships at all levels and advanced methods of electrical testing. The research and development, production, and sales teams can call on many years of experience in these certification processes. Metalor Electrotechnics therefore works in collaboration with
its customers right from the first stages of the development of new products. It provides them with advice and expertise, right through from the very start of the process of designing new applications. The combination of skills in electrical testing, applied research and metallurgy have enabled Metalor to develop innovative products based on AgCW, AgFe, AgZnO, CuCr, CuW, CuC and AgSnO₂.

The Electrotechnics Division also offers the integrated management of logistical flows in line with its customers’ needs, in order to ensure just-in-time product availability, making consignment stocks available for its customers. Metalor follows industry developments closely, in order to support its customers in their technical developments, as well as in the geographical expansion of their production capacity. The Electrotechnics Division has opened a production site in China, near the other Metalor plant in Suzhou. Metalor Electrotechnics thus offers long-term co-operation to its partners, based on continuous R&D work, improvements in manufacturing processes and investment in people and machinery. The end-customer reaps benefits from all these aspects through reliable and durable products.
Metalor Technologies international SA

Consolidated Financial Statements
As of December 31, 2005
In the financial year 2005, the consolidated net sales of the Metalor Group (without the value of the precious metal) amounted to CHF 247.9 Mio., 8% lower than in the previous year. Excluding the net sales for 2005 of the spun-off Dental Division, the comparable growth in sales amounted to 4%. The operating result (EBIT) increased from CHF 17.3 Mio. to CHF 21.4 Mio. in 2005, an increase of 24%. Operating costs were reduced by 25% to CHF 77 Mio. The highest impact on this reduction resulted from the spin-off of the Dental Division. The net income of CHF 40.8 Mio. includes a non-operating gain of CHF 32.1 Mio. which was mainly generated by the final sale of financial assets but was also influenced by one-off costs of CHF 5.1 Mio. for impairments of unused buildings. As foreseen since the take-over of the majority of the company by private investors, UBS AG sold its shares to the company and is no longer a shareholder. UBS AG remains an important business partner of Metalor.

- The **Refining Division** performed well in Switzerland, while the US operation was restructured and suffered a loss. The reduced cost basis will allow us to achieve a positive result in 2006. Overall, sales volumes were 3% lower than the previous year and with a lower profit, due to losses in the United States.

- The **Advanced Coatings Division** performed below expectations in terms of sales, but improved its profitability. The slowdown in the European plating industry was the main reason for a weak first half of the year. Reduced operating costs and good sales towards the end of 2005 contributed to an 8% EBIT margin for the year. The restructuring of our French activities are finalized, and all remaining costs are provisioned.

- The **Watches and Jewelry Division** increased its sales volume by 12%. Profitability was negatively influenced by increased precious-metal leasing costs which could not be fully passed on, and did not reach expectations.

- The **Electrotechnics Division** continued its strong growth in sales and profitability. Turnover increased by 15% and the EBIT by 21%. Preparations for a market entry in China were made during the year. The operation will start in the second quarter 2006.

- The **Dental Division** was operationally spun-off as per January 1st, 2005. The legal transaction took place in November. The equity of the group was reduced by CHF 18.9 Mio. through this transaction.

In 2005 a dividend of CHF 500 per share (CHF 5.3 Mio. in total) was paid to the shareholders. Shareholder equity at year-end 2005 amounted to CHF 337 Mio. or 69% of the total balance sheet value. In October 1 775 shares were acquired from UBS AG. After this transaction the number of shares was reduced by 1 225 and the total number of shares is now 10 000.

The Board of Directors proposes a dividend payment of CHF 2’000 per share (CHF 18.5 Mio. in total).

The Group has a net cash position of CHF 52.5 Mio. as at 31.12.2005.
**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2005**
(with comparative figures as of December 31, 2004)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>56,420</td>
<td>38,236</td>
</tr>
<tr>
<td><strong>Trade receivables, net</strong></td>
<td>213,270</td>
<td>179,828</td>
</tr>
<tr>
<td><strong>Other receivables and prepaid expenses</strong></td>
<td>20,496</td>
<td>17,901</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>70,551</td>
<td>77,072</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td><strong>360,737</strong></td>
<td><strong>313,037</strong></td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td>1,766</td>
<td>865</td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>120,551</td>
<td>123,371</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>1,107</td>
<td>3,634</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>2,584</td>
<td>3,477</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td><strong>126,008</strong></td>
<td><strong>131,347</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>486,745</strong></td>
<td><strong>444,384</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade payables</strong></td>
<td>70,934</td>
<td>48,482</td>
</tr>
<tr>
<td><strong>Other payables and accrued expenses</strong></td>
<td>19,905</td>
<td>20,450</td>
</tr>
<tr>
<td><strong>Provisions for liabilities and charges</strong></td>
<td>25,488</td>
<td>25,194</td>
</tr>
<tr>
<td><strong>Short-term borrowings</strong></td>
<td>4,544</td>
<td>7,653</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td><strong>120,871</strong></td>
<td><strong>101,779</strong></td>
</tr>
<tr>
<td><strong>Long-term borrowings</strong></td>
<td>103</td>
<td>2,148</td>
</tr>
<tr>
<td><strong>Provisions for liabilities and charges</strong></td>
<td>2,515</td>
<td>2,929</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>26,286</td>
<td>28,248</td>
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<tr>
<td><strong>Non-current liabilities</strong></td>
<td><strong>28,904</strong></td>
<td><strong>33,325</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>149,775</strong></td>
<td><strong>135,104</strong></td>
</tr>
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<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share capital</strong></td>
<td>800</td>
<td>1,123</td>
</tr>
<tr>
<td><strong>Share premium</strong></td>
<td>25,809</td>
<td>25,344</td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td>315,968</td>
<td>287,077</td>
</tr>
<tr>
<td><strong>Treasury shares</strong></td>
<td>(5,607)</td>
<td>(4,264)</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td><strong>336,970</strong></td>
<td><strong>309,280</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td><strong>486,745</strong></td>
<td><strong>444,384</strong></td>
</tr>
</tbody>
</table>
## Consolidated Statement of Income for the Year Ending December 31, 2005

(with comparative figures for the year ending December 31, 2004)

<table>
<thead>
<tr>
<th>in CHF 1000</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales (excluding precious metal)</strong></td>
<td>247 852</td>
<td>270 432</td>
</tr>
<tr>
<td>Cost of goods sold (excluding precious metal)</td>
<td>(149 480)</td>
<td>(150 252)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>98 372</td>
<td>120 180</td>
</tr>
<tr>
<td><strong>Sales and logistics</strong></td>
<td>(34 957)</td>
<td>(52 194)</td>
</tr>
<tr>
<td><strong>Finance and administration</strong></td>
<td>(10 445)</td>
<td>(12 357)</td>
</tr>
<tr>
<td><strong>Other operating costs</strong></td>
<td>(31 640)</td>
<td>(38 026)</td>
</tr>
<tr>
<td><strong>Operating costs, total</strong></td>
<td>(77 042)</td>
<td>(102 577)</td>
</tr>
<tr>
<td><strong>Precious-metal leasing fees, net</strong></td>
<td>(2 567)</td>
<td>(1 200)</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>2 613</td>
<td>866</td>
</tr>
<tr>
<td><strong>Operating result before precious-metal price fluctuations</strong></td>
<td>21 376</td>
<td>17 269</td>
</tr>
<tr>
<td><strong>Recovery of provision for precious-metal price fluctuations</strong></td>
<td>4 666</td>
<td>3 616</td>
</tr>
<tr>
<td><strong>Operating result after precious-metal price fluctuations</strong></td>
<td>26 042</td>
<td>20 885</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>11 357</td>
<td>3 369</td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td>(12 919)</td>
<td>(7 196)</td>
</tr>
<tr>
<td><strong>Financial result</strong></td>
<td>(1 562)</td>
<td>(3 827)</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td>32 096</td>
<td>30 521</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td>(13 562)</td>
<td>(19 536)</td>
</tr>
<tr>
<td><strong>Non-operating result</strong></td>
<td>18 534</td>
<td>10 985</td>
</tr>
<tr>
<td><strong>Income before tax</strong></td>
<td>43 014</td>
<td>28 043</td>
</tr>
<tr>
<td><strong>Current income tax</strong></td>
<td>(3 409)</td>
<td>(2 683)</td>
</tr>
<tr>
<td><strong>Deferred tax</strong></td>
<td>1 173</td>
<td>(885)</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>40 778</td>
<td>24 475</td>
</tr>
</tbody>
</table>
# Consolidated Statement of Cash Flows for the Year Ending December 31, 2005

(with comparative figures for the year ending December 31, 2004)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before tax</td>
<td>43,014</td>
<td>28,043</td>
</tr>
<tr>
<td>Depreciation, amortization and provisions</td>
<td>21,806</td>
<td>19,610</td>
</tr>
<tr>
<td>Working capital changes, net</td>
<td>(37,723)</td>
<td>(28,350)</td>
</tr>
<tr>
<td>Deferred taxes changes, net</td>
<td>104</td>
<td>(315)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(3,819)</td>
<td>(7,256)</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>23,382</strong></td>
<td><strong>11,732</strong></td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td>(16,908)</td>
<td>(15,125)</td>
</tr>
<tr>
<td>Proceeds from the sale of fixed assets</td>
<td>1,305</td>
<td>2,430</td>
</tr>
<tr>
<td>Proceeds from the sale of long-term financial assets</td>
<td>29,750</td>
<td>56,547</td>
</tr>
<tr>
<td>Proceeds from the sale of Dental assets</td>
<td>5,596</td>
<td>–</td>
</tr>
<tr>
<td>Cash contributed to spin-off Dental</td>
<td>(14,263)</td>
<td>–</td>
</tr>
<tr>
<td>Paid restructuring expenses</td>
<td>(4,080)</td>
<td>(13,114)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td><strong>1,400</strong></td>
<td><strong>30,738</strong></td>
</tr>
<tr>
<td>Change in short-term borrowings</td>
<td>(2,471)</td>
<td>(2,455)</td>
</tr>
<tr>
<td>Change in long-term borrowings</td>
<td>(2,045)</td>
<td>(618)</td>
</tr>
<tr>
<td>Sale of (acquisition of) treasury shares</td>
<td>1,385</td>
<td>1,696</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(5,319)</td>
<td>(54,534)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td><strong>(8,450)</strong></td>
<td><strong>(55,911)</strong></td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash and cash equivalents</td>
<td>1,852</td>
<td>(2,751)</td>
</tr>
<tr>
<td><strong>Change in cash and cash equivalents</strong></td>
<td><strong>18,184</strong></td>
<td><strong>(16,192)</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents, at beginning of year</td>
<td>38,236</td>
<td>54,428</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, AT END OF YEAR</strong></td>
<td><strong>56,420</strong></td>
<td><strong>38,236</strong></td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Equity for the Year Ending Dec. 31, 2005
(with comparative figures for the year ending December 31, 2004)

<table>
<thead>
<tr>
<th>in CHF 1'000</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Accumulated profits</th>
<th>Cumulative translation adjustment</th>
<th>Goodwill on acquisitions</th>
<th>Treasury shares</th>
<th>Total</th>
</tr>
</thead>
</table>

#### 2005

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity as of 1.1</td>
<td>1'123</td>
<td>25'344</td>
<td>314'185</td>
<td>(16'494)</td>
<td>(10'614)</td>
<td>(4'264)</td>
<td>309'280</td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>(225)</td>
<td>–</td>
<td>(18'699)</td>
<td>–</td>
<td>–</td>
<td>790</td>
<td>(18'134)</td>
</tr>
<tr>
<td>Reduction of share capital</td>
<td>(98)</td>
<td>–</td>
<td>(7'886)</td>
<td>–</td>
<td>–</td>
<td>7'984</td>
<td>(0)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>40'778</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>40'778</td>
</tr>
<tr>
<td>Dividend</td>
<td>–</td>
<td>–</td>
<td>(5'319)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(5'319)</td>
</tr>
<tr>
<td>Acquisition of own shares</td>
<td>–</td>
<td>–</td>
<td>(11'536)</td>
<td>–</td>
<td>–</td>
<td>(11'537)</td>
<td>(1)</td>
</tr>
<tr>
<td>Sale of own shares</td>
<td>–</td>
<td>465</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1'420</td>
<td>1'885</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>8'481</td>
<td>–</td>
<td>–</td>
<td>8'481</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AS OF 31.12</strong></td>
<td><strong>800</strong></td>
<td><strong>25'809</strong></td>
<td><strong>334'595</strong></td>
<td><strong>(8'013)</strong></td>
<td><strong>(10'614)</strong></td>
<td><strong>(5'607)</strong></td>
<td><strong>336'970</strong></td>
</tr>
</tbody>
</table>

#### 2004

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity as of 1.1</td>
<td>1'123</td>
<td>24'204</td>
<td>344'244</td>
<td>(12'018)</td>
<td>(10'614)</td>
<td>(4'252)</td>
<td>342'687</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>24'475</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>24'475</td>
</tr>
<tr>
<td>Dividend</td>
<td>–</td>
<td>–</td>
<td>(54'534)</td>
<td>–</td>
<td>–</td>
<td>(54'534)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of own shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(987)</td>
<td>(987)</td>
</tr>
<tr>
<td>Sale of own shares</td>
<td>–</td>
<td>1'140</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>975</td>
<td>2'115</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(4'476)</td>
<td>–</td>
<td>–</td>
<td>(4'476)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AS OF 31.12</strong></td>
<td><strong>1'123</strong></td>
<td><strong>25'344</strong></td>
<td><strong>314'185</strong></td>
<td><strong>(16'494)</strong></td>
<td><strong>(10'614)</strong></td>
<td><strong>(4'264)</strong></td>
<td><strong>309'280</strong></td>
</tr>
</tbody>
</table>
## GROUP COMPANIES

(As of 31st December, 2005)

<table>
<thead>
<tr>
<th>Company name</th>
<th>Headquarter</th>
<th>Currency</th>
<th>Share capital (1000)</th>
<th>Group interest</th>
<th>Consolidation method*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metalor Technologies International SA</td>
<td>Neuchâtel, Switzerland</td>
<td>CHF</td>
<td>800</td>
<td>N/A</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies SA</td>
<td>Neuchâtel, Switzerland</td>
<td>CHF</td>
<td>11 750</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Finance SA</td>
<td>Neuchâtel, Switzerland</td>
<td>CHF</td>
<td>40 400</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Finance (Curaçao) N.V.</td>
<td>Curaçao, N.A.</td>
<td>CHF</td>
<td>10</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (UK) Ltd.</td>
<td>Birmingham, UK</td>
<td>GBP</td>
<td>150</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Iberica) SA</td>
<td>Barcelona, Spain</td>
<td>EUR</td>
<td>822</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies USA Corporation</td>
<td>North Attleboro, USA</td>
<td>USD</td>
<td>1</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor USA Refining Corporation</td>
<td>Attleboro, USA</td>
<td>USD</td>
<td>1</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Hong Kong) Ltd.</td>
<td>Hong Kong, China</td>
<td>HKD</td>
<td>3 501</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Hong Kong) Ltd. Taiwan Branch</td>
<td>Taipei, Taiwan</td>
<td>TWD</td>
<td>5 000</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Hong Kong) Ltd. Korean Branch</td>
<td>Seoul, South Korea</td>
<td>KRW</td>
<td>2,960,089</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Suzhou) Ltd.</td>
<td>Suzhou, China</td>
<td>USD</td>
<td>2 100</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (France) S.A.S.</td>
<td>Courville, France</td>
<td>EUR</td>
<td>5 079</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Deutschland) GmbH</td>
<td>Redwitz, Germany</td>
<td>EUR</td>
<td>767</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Italia) S.R.L.</td>
<td>Milano, Italy</td>
<td>EUR</td>
<td>100</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Sweden) AB</td>
<td>Boras, Sweden</td>
<td>SEK</td>
<td>100</td>
<td>100%</td>
<td>F</td>
</tr>
<tr>
<td>Metalor Technologies (Singapore) PTE Ltd.</td>
<td>Singapore, SG</td>
<td>SGD</td>
<td>100</td>
<td>100%</td>
<td>F</td>
</tr>
</tbody>
</table>

* F = Full Consolidation
### Switzerland

**Metalor Technologies International SA**  
Avenue du Vignoble  
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Fax: +41 32 720 66 01  
www.metalor.com  
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**Metalor Technologies SA**  
Divisions  
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**United States**

**Metalor Technologies USA Corporation**  
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255 John L. Dietsch Boulevard  
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Fax: +1 508 695 1603

**Metalor USA Refining Corporation**  
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Fax: +1 508 695 1603

**Peru**

**Metalor Succursal Peru**  
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Chorrillos Lima 09  
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Fax: +49 9574 624 800

**The Netherlands**

**Metalor Technologies (Deutschland) GmbH**  
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Division ■
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Fax +44 20 7405 4844

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Via G. Di Vittorio 28
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Fax +39 02 55 30 10 21

Division ■ ■ ■
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I-00131 Roma
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Phone +39 06 41 99 22 70
Fax +39 06 41 99 22 22

**CHINA**

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Fax +86 512 6593 6171

Shanghai Liaison Office
Division ■ ■ ■
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Xinzhuang Industry Park
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Dongguan Liaison Office
Division ■ ■ ■
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Fax +86 76 9544 3933

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Fax +82 2 575 2641

**TAIWAN**

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Fax +886 2 7720 0303

**SINGAPORE**

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Division ■ ■ ■
67 Tech Park Crescent TUAS
Singapore 638074
Phone +65 6863 1600
Fax +65 6863 0102

**THAILAND**

Metalor Technologies (Singapore) PTE Ltd.
Division ■ ■ ■
Prime State Mini Office
79/4 Moo2, 5th Floor
Srinakarin Road, Nongborn Pravej
Bangkok 10260
Thailand
Phone +66 2366 0719
Fax +66 2366 0720
GOVERNING BODIES
(As of December 31, 2005)

BOARD OF DIRECTORS

Martin Bisang
Richard Robinson
Hans-Juerg Schaefer
Daniel Schlatter
Robert Lombardini

Chairman
Vice-Chairman
Member
Member
Member

CORPORATE MANAGEMENT

Dr Scott Morrison
Fredy Hiltmann
Dr Yuxing Shang
Jacques Michel
Martin Bless
Dr Jean Fournier
Christine Tsai
Kenneth Beilstein

Chief Executive Officer
Chief Financial Officer
Head of Operating Refining Division
Head of Operating Advanced Coatings Division
Head of Operating Watches and Jewelry Division
Head of Operating Electrotechnics Division
Head of Greater China
Country Manager USA

AUDITORS

Hans Isler
Daniel Humbel

Ernst & Young Ltd., Geneva, Switzerland
Ernst & Young Ltd., Geneva, Switzerland