

# SWISSMETAL

**J. Friedrich Sauerländer**

Chairman of the Board of Directors

**Martin Hellweg**

Chief Executive Officer

**Joachim Blatter**

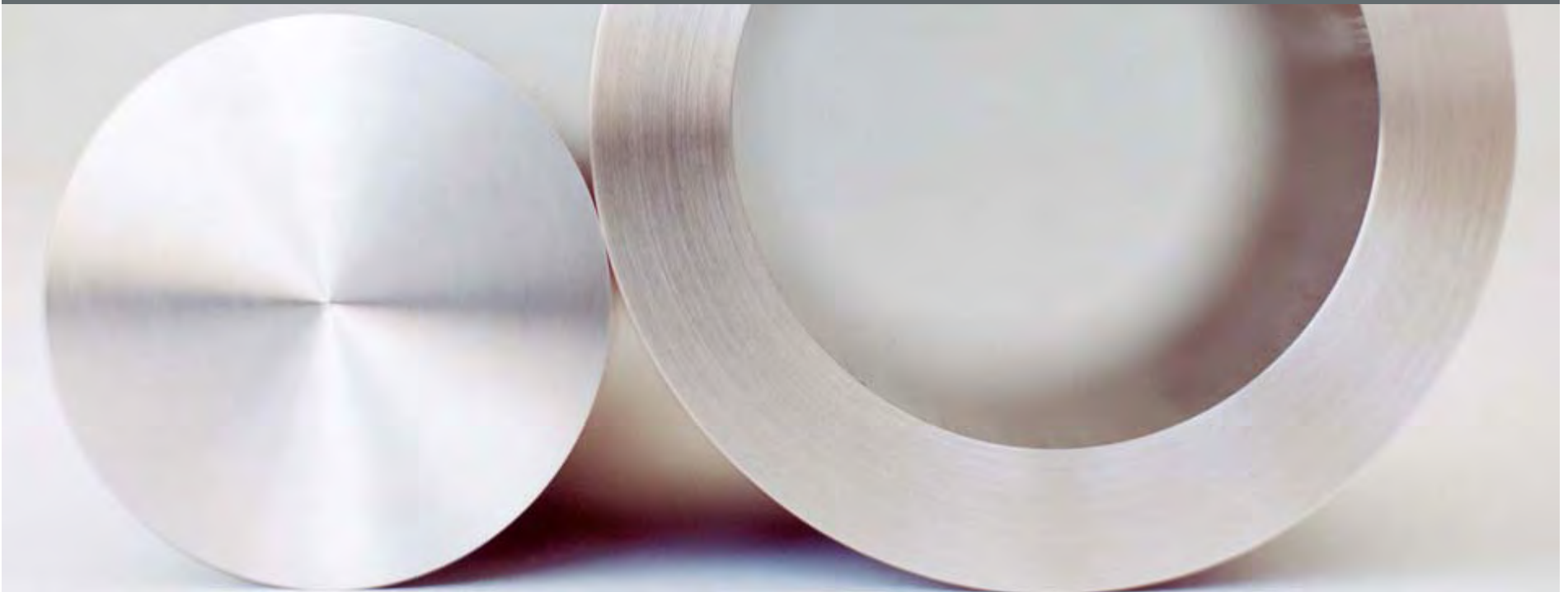
Chief Financial Officer

**Sam V. Furrer**

Chief Development Officer

## Annual Media Conference

## 8 April 2009



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## Agenda

- Introduction
- Financial Report
  - Financial Year 2008
  - Progress Report on the Restructuring and Repositioning of Swissmetal
- Special Report on Swissmetal Design Solutions AG and ATMOVA
- Outlook
- Questions & Answers

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# Financial Year 2008

## Year 2008 at a Glance 1/2

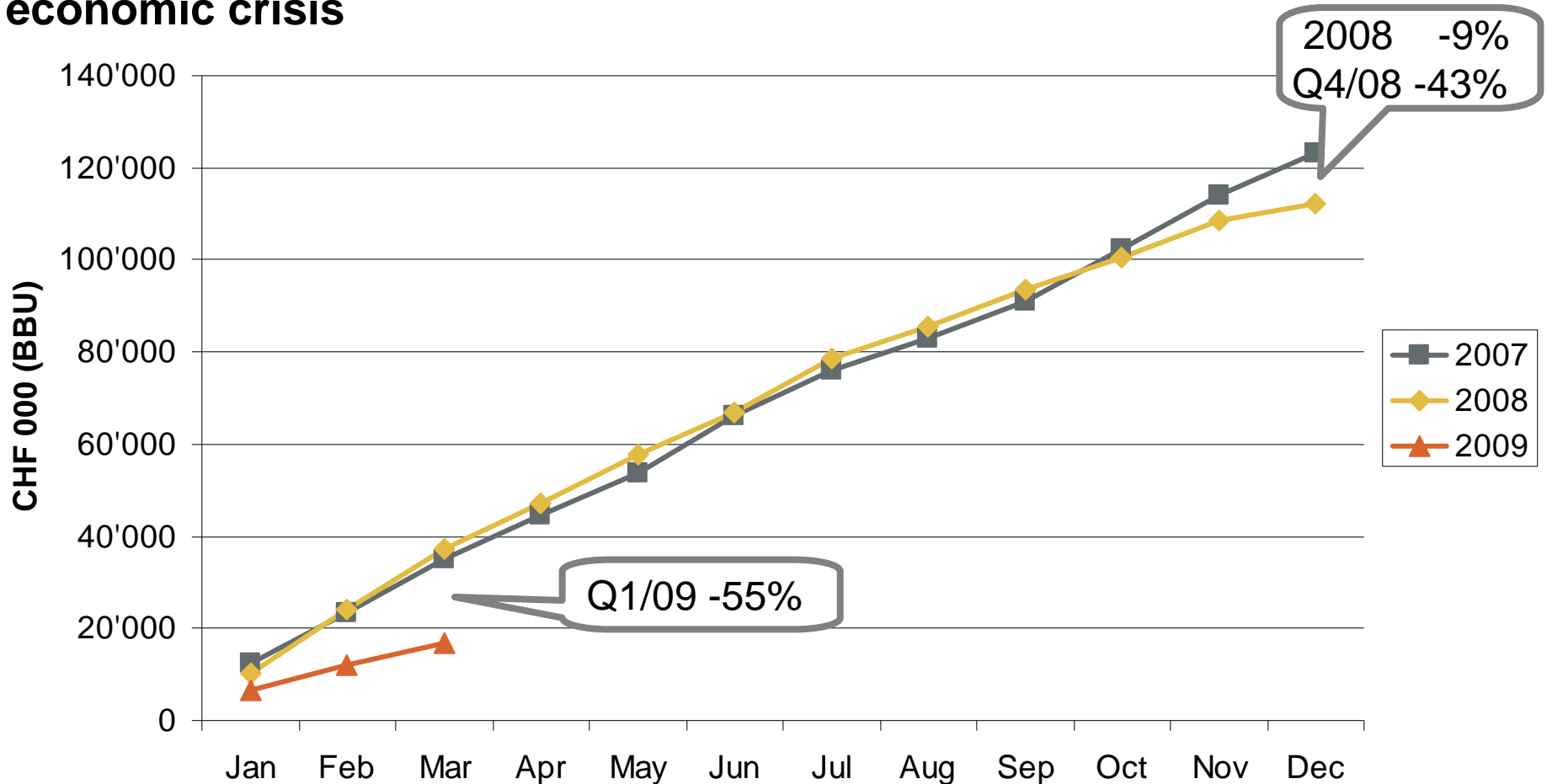
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- Gross sales at CHF 324.9 million => -20%
  - Mainly due to fallen metal prices
  - Delivery bottleneck caused by the transfer to new press
  - Downturn of the economy
- Third party trade products at CHF 22.4 million => -14%
  - Mainly through subsidiary Avins USA Inc., Warren/NJ, in local currency -5%
- Gross added value sales at CHF 113.8 million => -12%
  - Depressed sales compared to order intake due to new extrusion press problems
  - Positive development towards high-end specialty products (average price per kg up from 3.34 CHF in 2007 to 3.68 CHF in 2008)
- Gross margin at CHF 126.4 million => -15%
  - Negative effects due to metal devaluation and decreased business activities
  - Positive effect through stock efficiency program (CHF 9.2 million, previous year CHF 7.1 million)
- EBITDA at CHF 11.2 million => -61%
  - Personnel costs decreased from CHF 74.7 million to CHF 66.3 million as a result of the industrial restructuring program
  - Increased operating and administrative expenses by CHF 4.8 million mainly due to higher operating material with the ramp-up of the new extrusion press

- EBIT at CHF -2.4 million
  - Depreciation totaled CHF 13.6 million and is CHF 0.5 million lower than previous year
- EAT at CHF -6.5 million
  - Loss from exchange rate differences at CHF 1.8 million
- Total assets at CHF 209.8 million => -11%
  - Mainly due to lower cash and cash equivalents as well as lower account receivables and stock, caused by improved receivable management and the metal price erosion
  - Short-term liabilities decreased due to repayment of compulsory stockpile loan
- Total liabilities and shareholders equity at CHF 209.8 million => -11%
  - As a result of the lower account payables (partly influenced by lower metal prices)
- Cash flow from operating activities at CHF 1.5 million => -82%
  - Caused by the negative result of the year
- Investment activity at CHF 12.3 million => -23%
  - Previous year included acquisition of Avins USA Inc., Warren/NJ
  - Capital expenditures in fixed and intangible asset are at the level of previous year

Order entry comparison 2007 vs. 2008

The order entry was very solid in 2008 and even above prior year until September. The fourth quarter was the first to be impacted by the global economic crisis

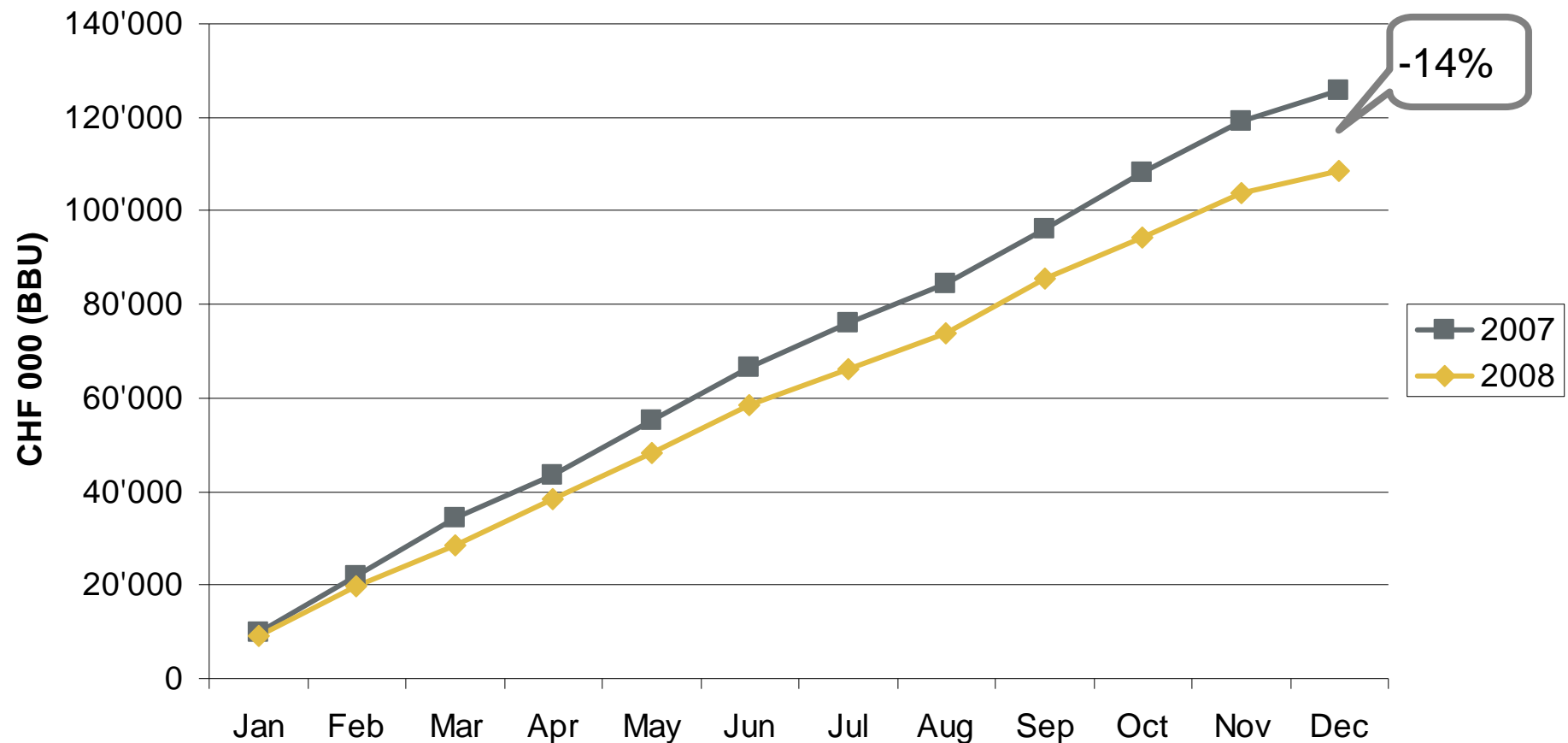


# Financial Year 2008

## Invoiced sales comparison 2007 vs. 2008

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**However, we could not capitalize on the strong order entry. Sales were impacted by the unexpected challenges with the new extrusion press all along 2008**





## Financial Year 2008 Income Statement

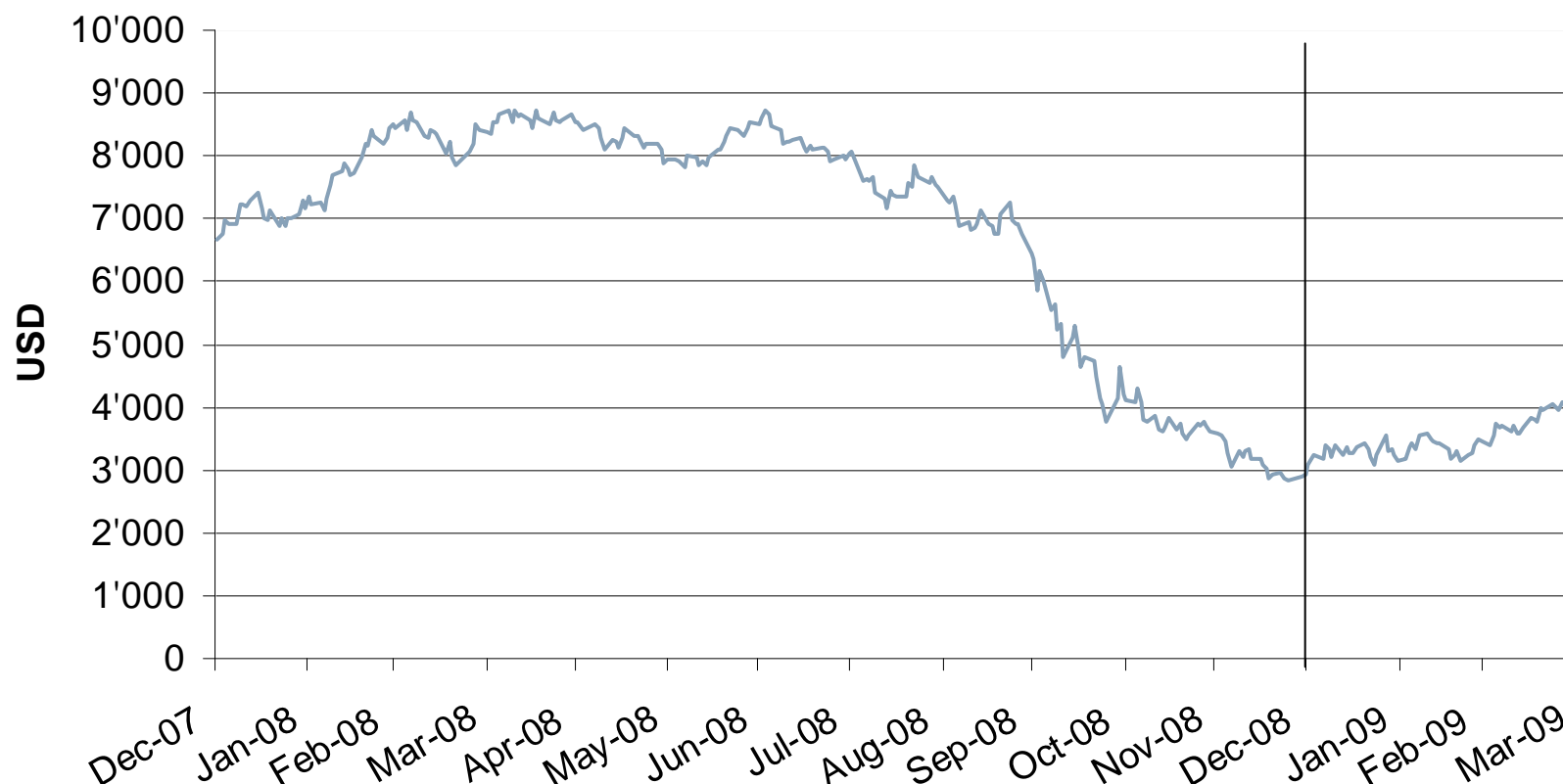
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CHF 000	2008	2007	Change	Change in %
Gross sales	324'871	406'959	-82'088	-20
- of which sales of third-party trade products	22'781	26'395	-3'614	-14
Gross added value sales	113'776	126'090	-12'314	-10
<b>Gross margin</b>	<b>126'419</b>	<b>148'519</b>	<b>-22'100</b>	<b>-15</b>
Other operating income	1'419	2'079	-660	-32
Own work capitalized	1'987	331	1'656	500
Personnel expenses	-66'292	-74'744	8'452	11
Energy	-12'517	-12'245	-272	-2
Operating materials	-23'468	-19'252	-4'216	-22
Administrative expenses	-12'615	-11'924	-691	-6
Other expenses	-3'722	-4'124	402	10
EBITDA	11'211	28'640	-17'429	-61
Depreciation	-13'564	-14'093	529	4
EBIT	-2'353	14'547	-16'900	n.a.
EAT	-6'506	11'372	-17'878	n.a.

# Financial Year 2008 Metal Price Development

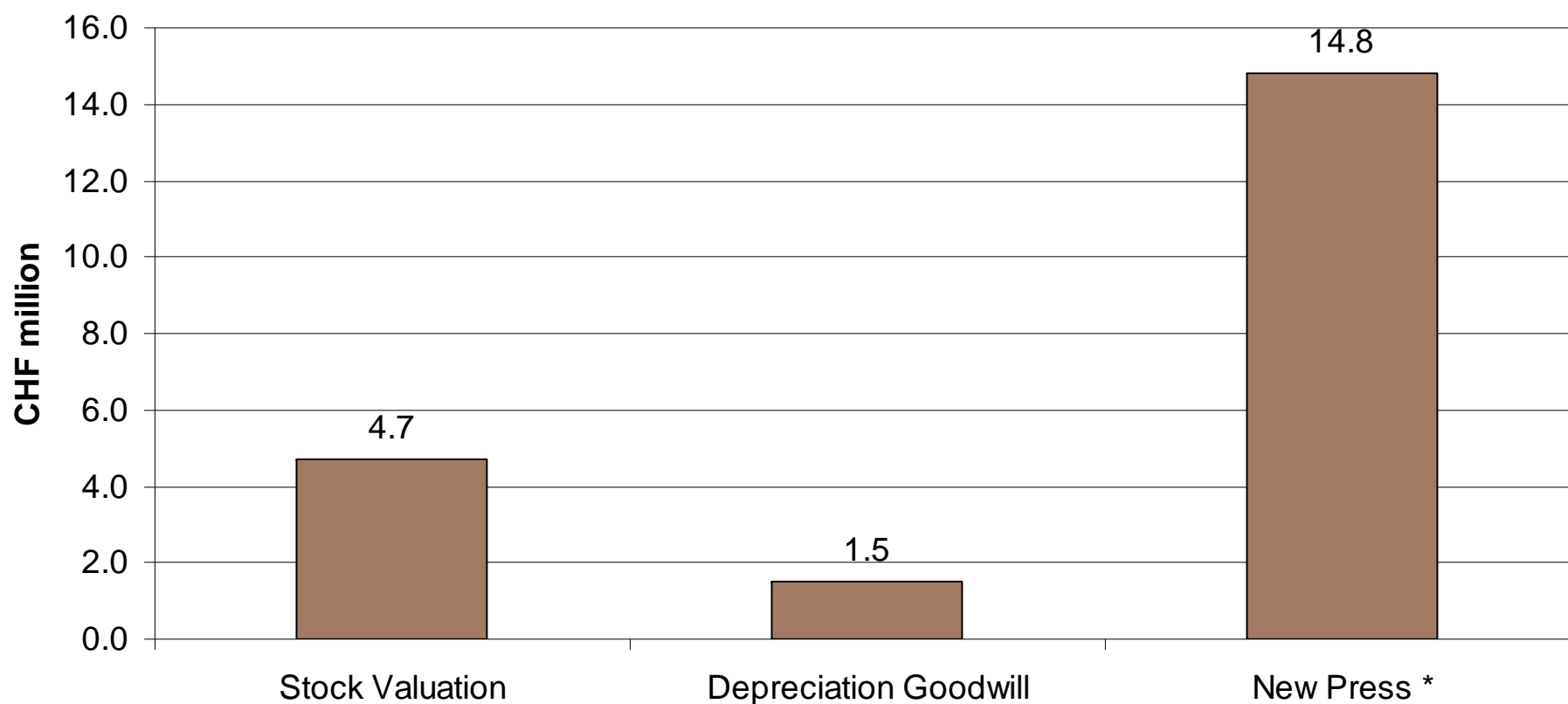
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The metal price drop at the end of 2008 impacted the EBIT negatively by CHF 4.7 million (stock valuation). Copper prices subsequently increased by 33% and reverted some of the negative impact already



Copper 3MT at LME

**2008 was not only affected by metal valuations, but was a very unusual year throughout: A combined CHF 21.0 million in special effects affected the EBIT negatively**

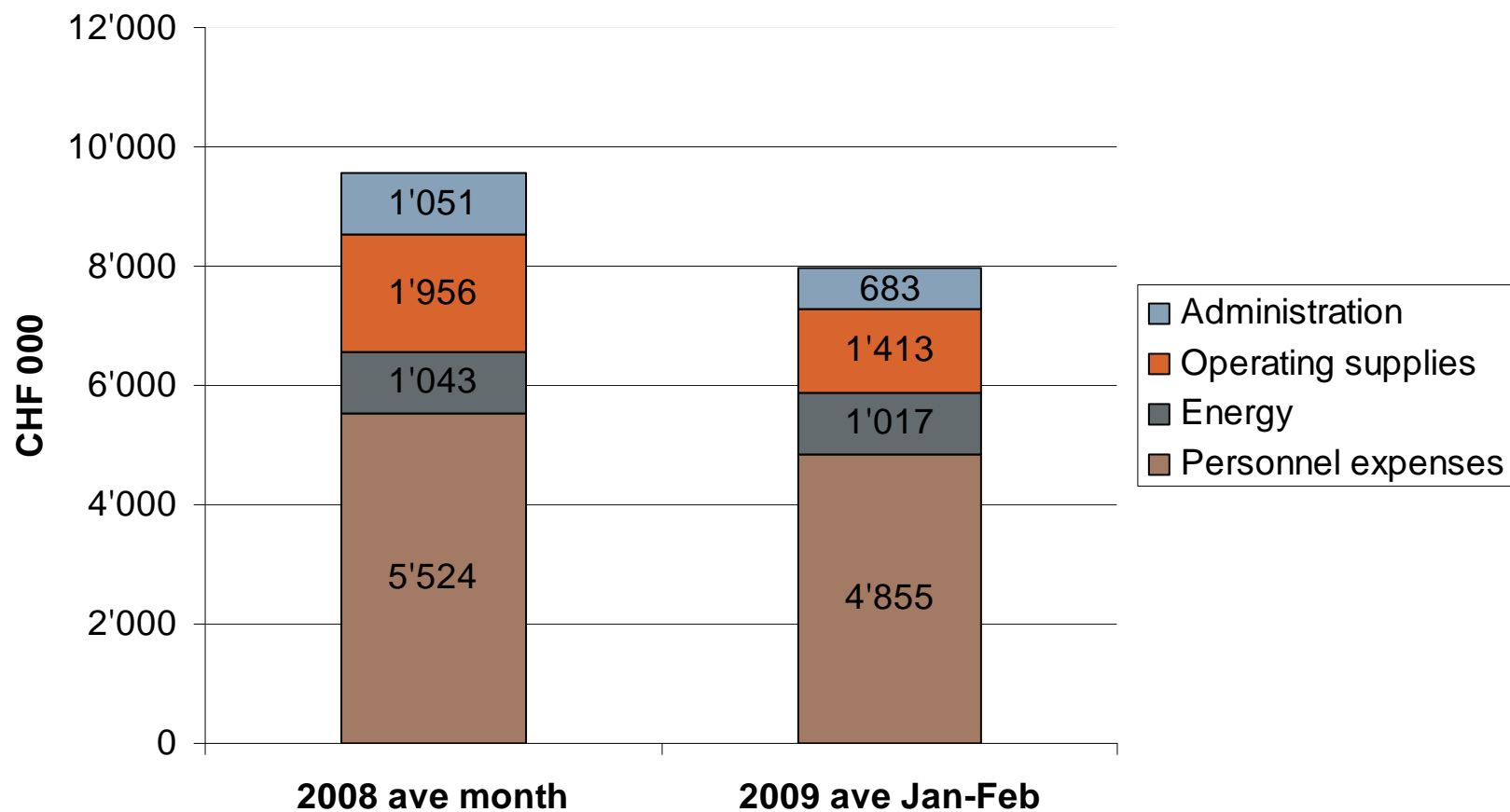


\* additional operating costs and temporary workers as well as non-executed orders

# Financial Year 2008 Cost Structure

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**The first two months of 2009 show the unusually high burdens we had to take in 2008 and their exceptionality**

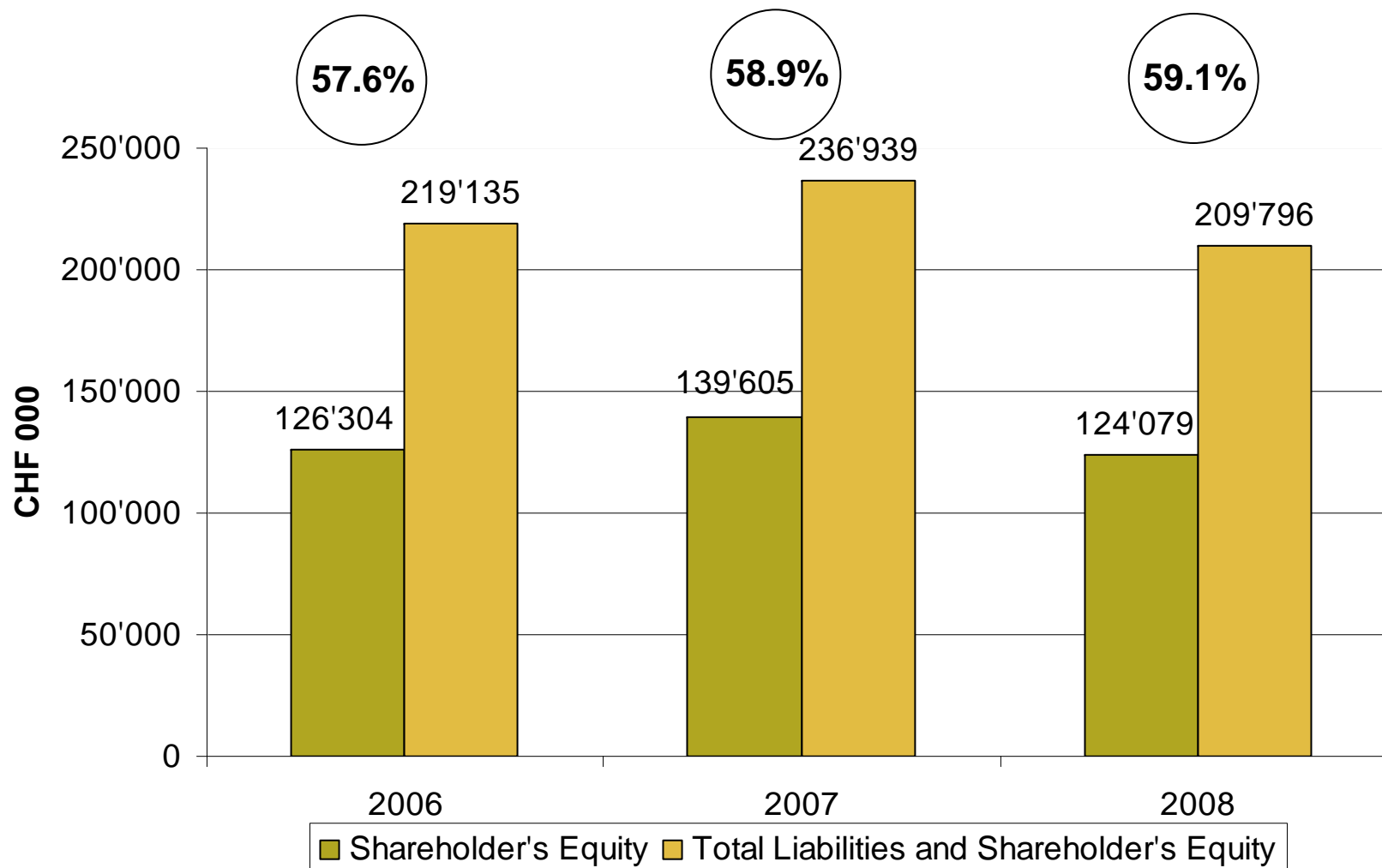


Financial Year 2008  
Balance Sheet

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<b>CHF 000</b>	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>Change</b>	<b>Change in %</b>
Current assets	122'771	147'796	-25'025	-17
Fixed assets	87'025	89'143	-2'118	-2
Total assets	209'796	236'939	-27'143	-11
Short-term liabilities	53'156	51'979	1'177	2
Long-term liabilities	32'561	46'855	-14'294	-31
Total liabilities	85'717	98'834	-13'117	-13
Total shareholders' equity	124'079	138'105	-14'026	-10
Total liabilities and shareholders' equity	209'796	236'939	-27'143	-11

**Stable equity ratio over the years**



**Swissmetal invested a total of CHF 12.3 million in 2008, - from CHF 19.3 million in 2007**

- New extrusion press: CHF 1.9 million, including CHF 1.6 million for the press itself and CHF 0.3 million for the building
- Dornach: CHF 4.1 million for improvement projects, including
  - CHF 1.5 million for improvements of the “Apollo” workflow (“Presseanbindung”)
  - CHF 1.3 million for a new fairly large-scale machine in SMD and
  - CHF 1.3 million for a variety of minor improvements
- Reconvilier: CHF 3.4 million for the unity project combining the two factories into one
- Lüdenscheid: CHF 0.6 million for several projects, including
  - CHF 0.3 million for infrastructure and
  - CHF 0.3 million for different machines and technical equipment
- IT: CHF 0.6 million, including
  - CHF 0.5 million for SAP adaptation and
  - CHF 0.1 million for sales programming
- New energy-producing roof tile system ATMOVA: CHF 1.7 million

# Financial Year 2008

## Cash Flow Statement

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<b>CHF 000</b>	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>Change in %</b>
Cash flow from operating activities before change in net current assets	7'260	22'883	-15'623	-68
Change in net current assets	-5'764	-14'736	8'972	61
Cash flow from operating activities	1'496	8'147	-6'651	-82
Cash flow from investing activities	-12'253	-15'991	3'738	23
Free cash flow	-10'757	-7'844	-2'913	-37
Cash flow from financing activities	-1'968	8'456	-10'424	n.a.
Net change in cash and cash equivalents	-12'860	667	-13'527	n.a.
Cash and cash equivalents as at 1 January	21'065	20'398	667	3
Cash and cash equivalents as at 31 December	8'205	21'065	-12'860	-61



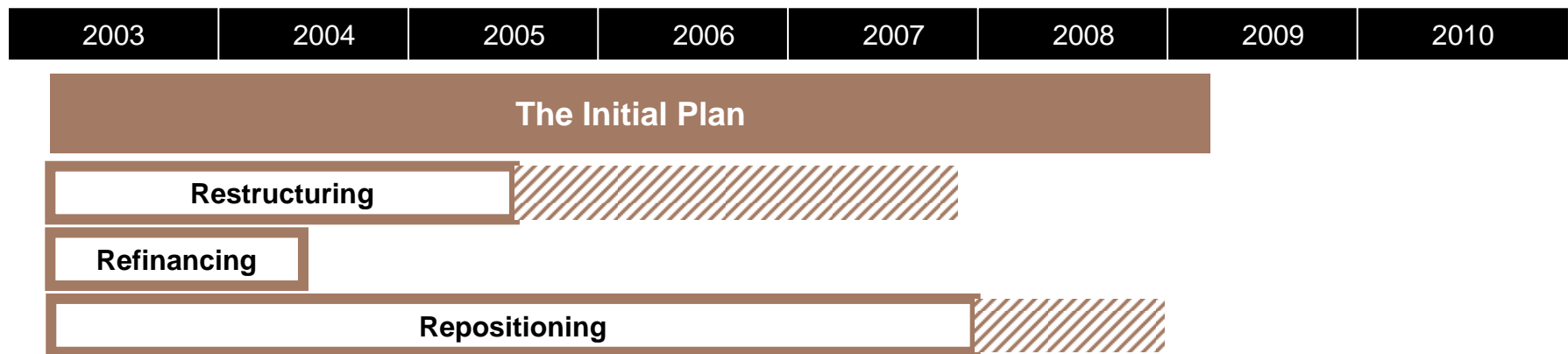
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# Progress Report Restructuring, Refinancing and Repositioning

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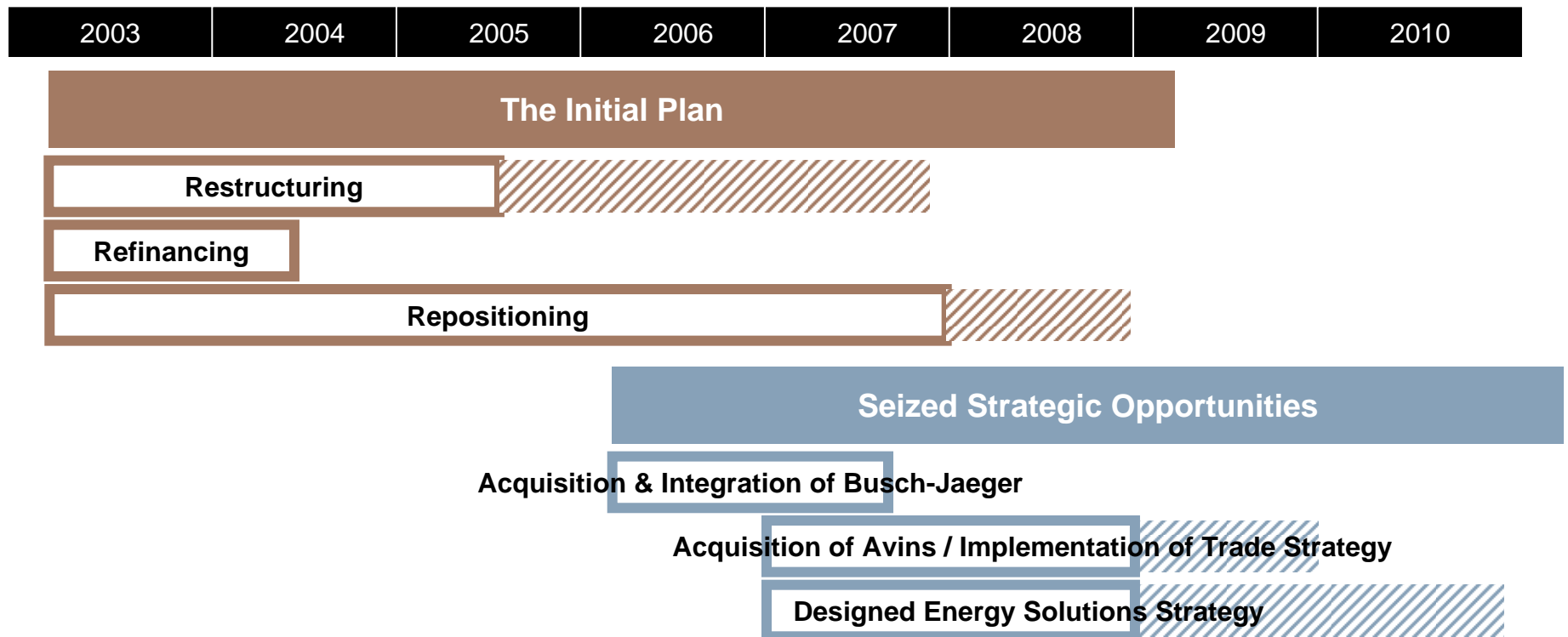
In 2003 the new management was mandated to restructure, refinance and reposition Swissmetal...



# Progress Report Restructuring, Refinancing and Repositioning

SWISSMETAL

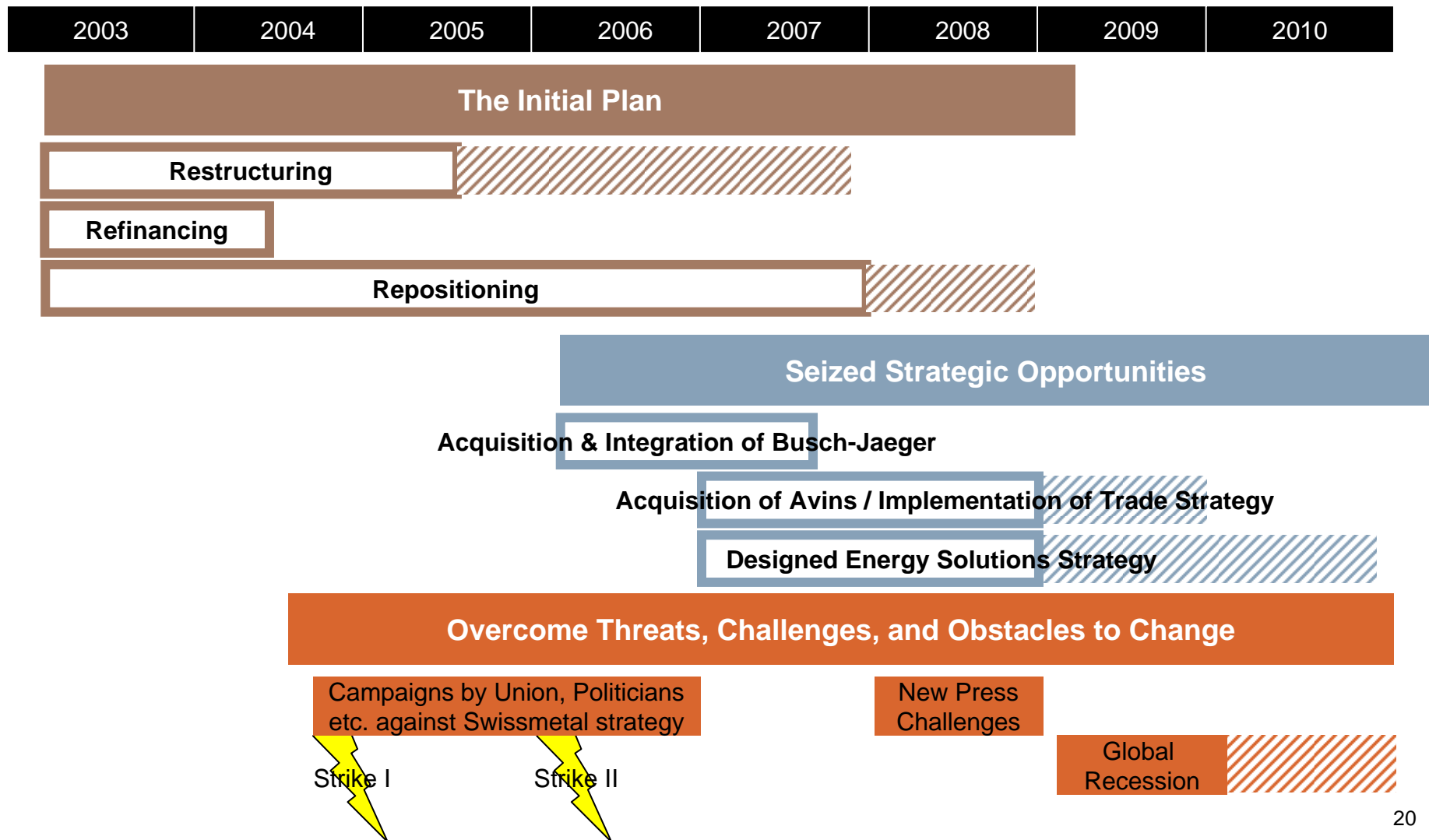
...along the way new strategic options opened up....



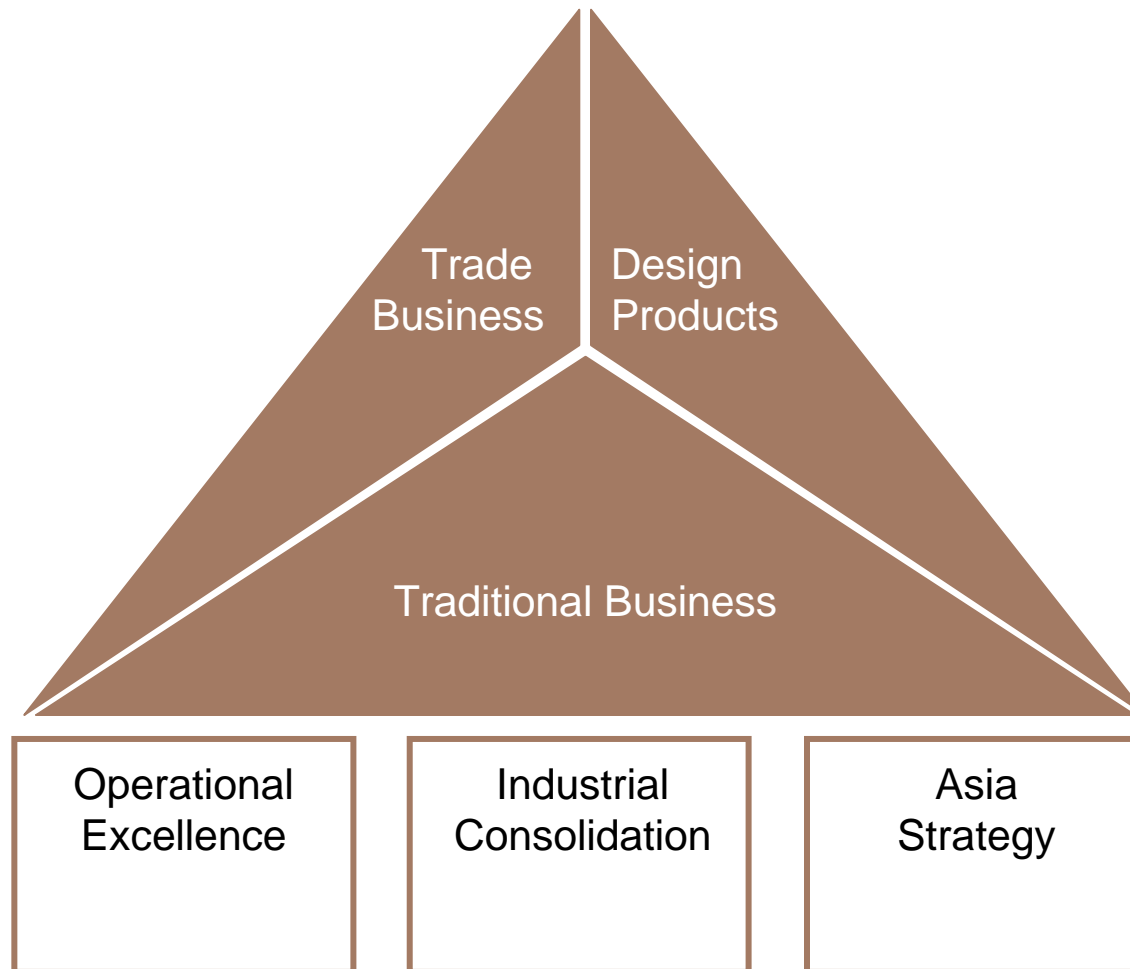
# Progress Report Restructuring, Refinancing and Repositioning

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...and a number of thunderstorms had to be overcome



**Our strategy for the traditional business is based on three pillars; new businesses in development open up additional growth potentials**



## On the first pillar Swissmetal has made a lot of progress

### Measures

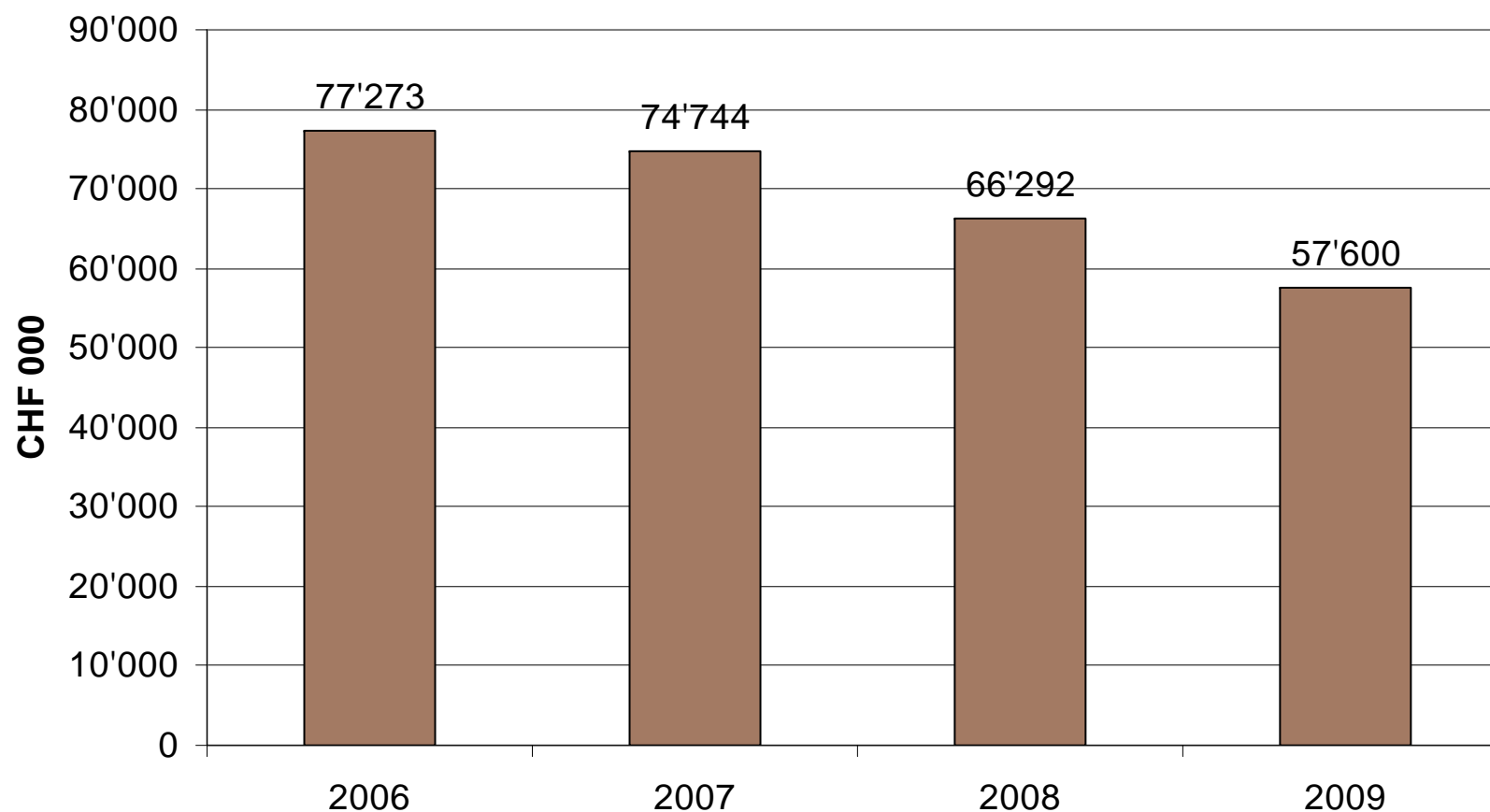
- The **new industrial concept** presented in 2005 is today almost completely implemented
  - Central hot deformation for both Swiss plants
  - Finishing in Reconvilier for wires and rod centralized in one single factory (second factory in Reconvilier empty)
  - Modernized finishing center in Dornach for profiles, tubes, bars and strips
- Strong **cross-site collaboration**, realization of synergies, exchange of best practice
- Focus on **innovation and technology** development based on existing core competencies
- **Technical investments** average at CHF 17 million annually between 2003 and 2007

### Results and Achievements

- **Personnel Expenses** savings of approx. CHF 20 million in the past 4 years (see next page)
- **Higher industrial problem solving capability**, efficiency gains, enhanced capitalization of core competencies
- A number of **future growth potentials** like CN8, NP6, Conform endless hollow profile, etc.
- Technical **equipment is state-of-the-art**, redundancies and overcapacities are eliminated

## Comparison of personnel costs 2006 – 2009

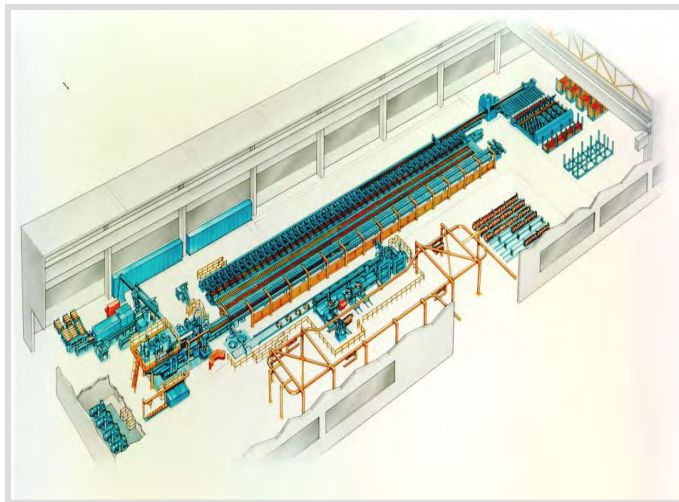
The cost structure was continuously improved, especially in the area of personnel costs.



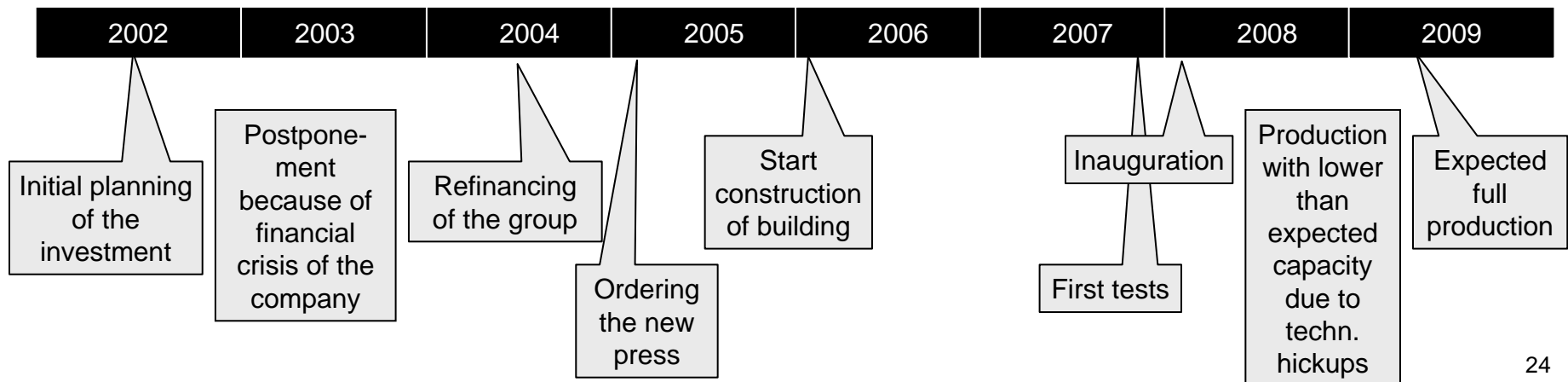
# Progress Report

## New Extrusion Press – History of the Investment

**The new extrusion press was delayed for financial reasons but after the kick-off it was put in place fairly quickly**



- In 2002 Swissmetal ran 4 extrusion presses in SMD and 2 in SMR, the youngest being 34 years old, all of which were outdated and inefficient
- First investment plans date back to 2002
- It was planned as a versatile press (=all products of both plants) in order to replace 4 or 5 of the 6 old presses
- Final investment decision was taken in early 2005 (after refinancing of 2004)
- The project was finished in time, but with a ~25% budget overrun, mainly due to unforeseen problems in the construction of the hall
- The industrialization of the press was delayed (see next page)






## The industrialization was very difficult, but is now almost complete

### Advantages of the New Press


- Efficiency gains
  - The new press can take over the production volume of 4 old presses for a number of reasons like higher extrusion speeds, bigger billet length and diameter, etc
  - It can extrude wire to smaller diameter, saving drawing operations
  - It has a higher degree of automation (just 3 people running the entire press)
- Qualitative advantages
  - Higher precision extrusion and better surface quality
  - New capabilities with regard to high strength alloys like CN8 (aerospace and oil industry) and new capability to extrude bigger dimensions tubes and rods



The **current performance** of the press compared to specifications is satisfying, however there is still room for improvement (optimization of production parameters, operational availability, setup time and changeover time, etc.)

### Challenges at Industrialization

- The industrialization took more time than expected
  - To operate the new generation fully electronic steering and control was a learning process
  - The complexity of the installation is a result of the number of interacting devices (furnaces, spoolers, separators, etc.)
  - Transfer of products from old presses: re-calculation of parameters and testing needed
  - New tools needed to be made from stronger steel
- A number of technical adaptations needed – additional investment – some of them are still work in progress



**Significant inefficiencies occurred in 2008:** capacity bottlenecks, delayed deliveries, cost of the old presses still running, temps needed, testing and re-do, higher auxiliary material and energy cost per ton, etc.

# Progress Report Expansion in Trade Products

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With the acquisition of Avins, Swissmetal represents a number of well-known companies in selected regions as their sales & distribution arm

avins



**LAWRENCE  
INDUSTRIES**



POONGSAN

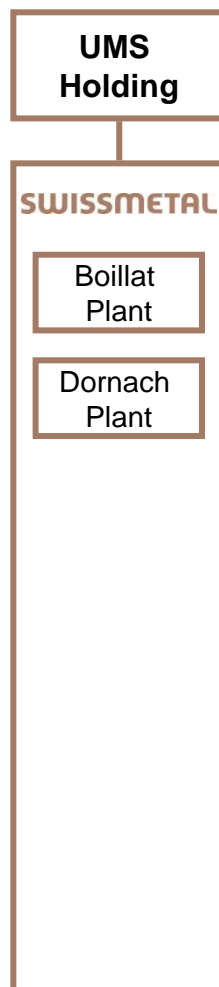


# Progress Report Development of Group Structure

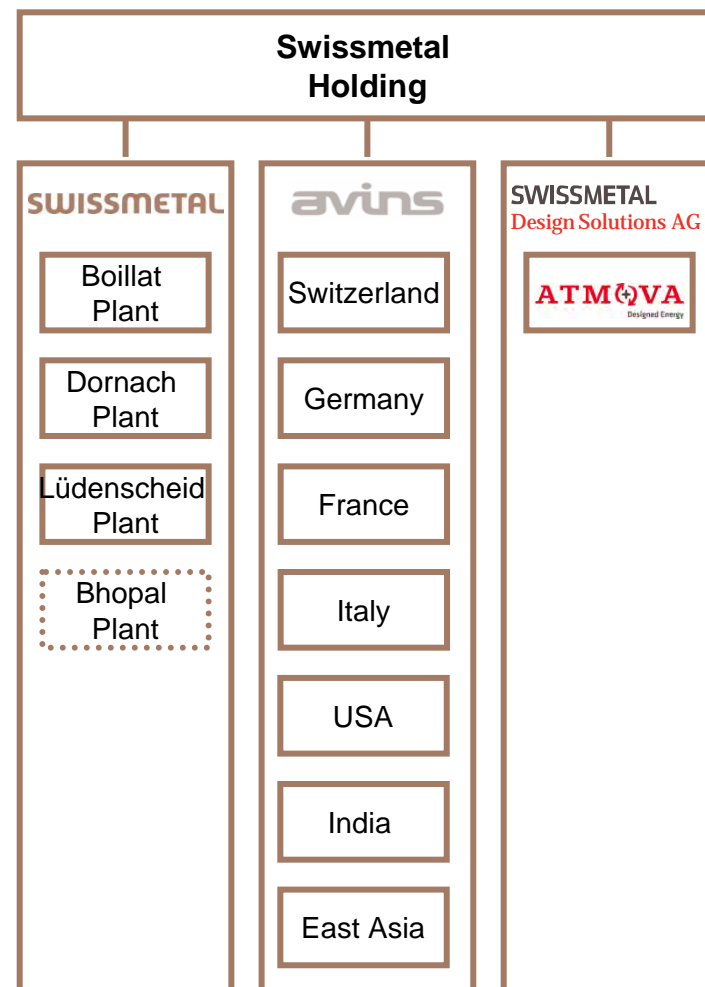
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Swissmetal has developed into an international multi-brand group

2003



2009



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## Special Report on ATMOVA Designed Solutions for Sustainable Energy

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**Swissmetal develops and markets a roof tile made from architectural bronze that collects energy from the environment and makes it available for heating systems with a heat pump**



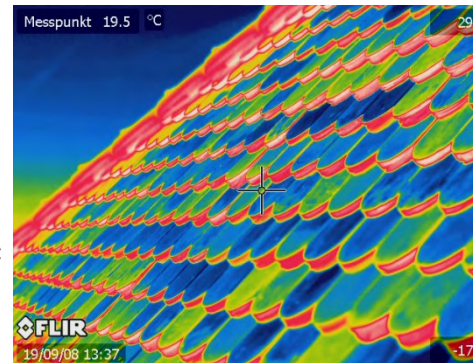
- New design possibilities for architects
- Access to a free, renewable energy
- Operating costs comparable to geothermal heat pump systems
- Simple installation, relatively low investment costs, durable, maintenance-free, easy to replace
- Can easily be recycled at the end of the life cycle
- Can be used as part of heating and cooling systems



## The two running test installations deliver very promising performance data. First commercial installations in 2nd half 2009

### Active-Energy-House, Private Villa, Stuttgart;

Our ATMOVA roof tiles are laid on the western side of the roof and therefore exposed to the weather. This is where the ATMOVA system can exploit its advantages over traditional energy-collecting units: the heat extracted from wind and rain on the metallic tiles is very effective



### House of the Environment, Lucerne;

Our tiles were installed on various sections on the front side exposed to the northwest (city center) and also on the back (inner courtyard). These are sufficient to generate enough heat for the whole building including the restaurant business. This installation demonstrates how well ATMOVA roof tiles can be incorporated even on a listed building (Denkmalschutz)



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**The first quarter 2009 shows significant lower order entry for the most market segments compared to the first quarter 2008**

<b>Market segment</b>	<b>Q1 2009 vs. Q1 2008</b>
Power Generation	significantly weaker
Connectors	slightly weaker
Turned Parts ("décolletage")	significantly weaker
Writing Instruments	significantly weaker
Watch Industry	stronger
Industrial Goods and Infrastructure	significantly weaker
Others	significantly weaker



**Several actions have been taken to reduce the break even point in view of the difficult global economic situation**

Approximate cash out reductions vs. 2008:

<b>8.7 million</b>	Further reduction of overhead & introduction of short time work
<b>3.6 million</b>	Reduction of administrative costs
<b>2.5 million</b>	Reduction of energy costs (mainly due to lower production volume)
<b>1.6 million</b>	Further inventory optimization/sale of scrap
<b>~20.0 million</b>	Reduction of investments

**The Key Priorities for 2009 reflect the current challenging economic environment**

- Strict cost management incl. a temporary stop of change projects and investments
- Further optimization of production processes
- Further improvement of new extrusion press

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## Questions & Answers

