

SWISSMETAL Media release

Dornach, 19 December 2008

Swissmetal – Evaluation of circumstances and forecast at the end of the year

Due to the current global economic crisis, the dimensions of which cannot be easily estimated, Swissmetal has developed measures for various economic scenarios. Swissmetal sells its products to a range of industries, which exhibit various trends and dynamics. Based on today's knowledge, the company continues to anticipate balanced results for 2008. As soon as the global economy **has recovered, Swissmetal should be able to attain solid profits once more** because the industrial reorganisation program and the essential restructuring **measures are essentially complete. Swissmetal is firmly standing by its goal of a return on capital after tax of 9%.**

The year 2009 is extremely difficult to forecast due to the current global economic crisis and its unpredictable influences on the industrial sectors.

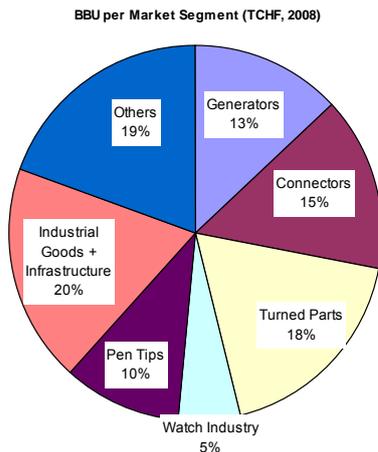
The general weakening of the economy hit the non-ferrous metal industry in the final quarter of 2008. However, its effects differ greatly depending on sales market and it is not possible to estimate its severity and duration on the basis of present knowledge. Swissmetal is thus preparing itself intensively for a range of demand scenarios. Swissmetal has developed measures plans in line with these scenarios, and these can be implemented as and when required.

Typically, Swissmetal is not formulating any short-term prognosis due to the cyclical nature of the business, and is instead concentrating on the communication of its mid to long-term goals. At the centre of this lies the goal of achieving a return on capital after tax in 2010 of 9%, within the framework of the 2006-2010 strategic restructuring program.

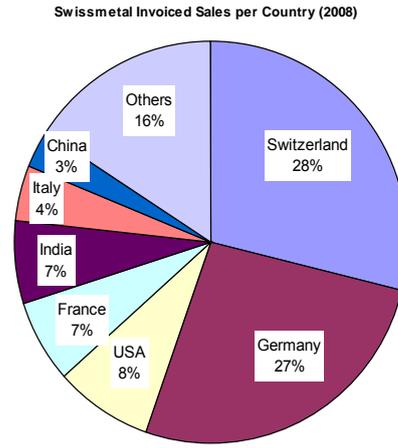
In order to enable investors and other interested parties to ascertain the position and prospects of Swissmetal insofar as possible, given the exceptional current global economic circumstances, Swissmetal is providing somewhat more detailed information than usual on its essential sales markets. It is also presenting measures for a range of economic scenarios and providing a prognosis on the sales and profits for 2008, as well as its outlook for the future.

Swissmetal – Economic opportunities and risks profile

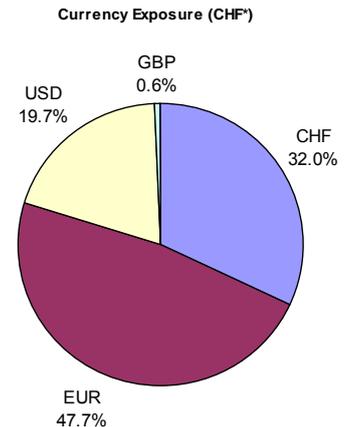
Distribution of gross added value sales by market (TCHF January to November 2008)



Distribution of gross added value sales by country (CHF January to November 2008)



Distribution of gross added value sales by currency (January to November 2008)



*Period-end exchange rate as per Oanda.com from the 11.12.2008

In the generator manufacturing segment, Swissmetal holds a leading position in terms of technology and market share and has enjoyed healthy growth rates in recent years; approx. 10% in the 2008 financial year. The geographical sales regions for the generator manufacturing segment span all continents. Enormous demands for investment exist, in particular in the ambitious Asian regions and in Eastern Europe. Thus, in economic terms the brand is highly robust and we anticipate continued strong growth in 2009.

Wires and rods for electronic connectors are amongst the most dynamic markets in which Swissmetal is active. Swissmetal products are processed by our customers and made into precision connectors, approx. 50% of which are utilised in telecommunications, electronics and information technology applications, whilst around 40% are used in the aerospace and defence industries. The cyclical nature of this market is relatively low, in particular in the field of high quality connectors. As a technological leader, Swissmetal offers a broad spectrum of special alloys, some of which exhibit significant unique selling characteristics. An example here is the NP6 alloy, which has generated extensive industry interest because it is able to act as a substitute for beryllium alloys in certain applications. Swissmetal has not been able to detect any decline in this market to date and intends to expand this market segment in the coming year.

Wires and rods and small precision pipes for turning and drilling technology (in industry jargon: “décolletage”) are a more important market segment than ever for Swissmetal. Swissmetal possesses extensive and globally renowned know-how in the production of these products. Swissmetal is prepared for further market growth in the field of complex special products for décolletage and in further processing and refinement products. Technical parts from décolletage production are utilised in countless different industry applications. We estimate that around 40% of Swissmetal products are used in the automotive industry, approx. 20% in machinery construction, approx. 10% in information technology and telecommunications, around 5% in aerospace and defence and approx. 5% in watch-making. The décolletage market is characterised by a mid to high dependency on economic cycles. It has exhibited a decline of around 40% in the past two months. We anticipate that the market will continue to develop in line with the overall economic climate.

Swissmetal produces special alloys for the watch industry in the form of rods and strips. This is also an important market for Swissmetal. We are leaders in this field due to our specific know-how here and for reasons of tradition. The watch industry also demonstrates a medium level of dependency on the economic cycle and incoming orders presently lie below expectations. However, we do know that the Swiss watch making industry holds a very strong market position and we expect that orders from this market will return to a healthy position very quickly.

For many years, Swissmetal has been the market leader in the market for wires and blanks in the pen tips industry and has its nose in front regarding price to performance ratio. The nickel silver, a copper alloy offered by Swissmetal with a light silver colour, shows clear advantages over steel ball-point pen tips. The growing market - due to the increasing literacy of the third world population and of emerging countries - is almost exclusively served by production sites in India, China, Switzerland and France. Swissmetal is very well established in all of these markets but is noticing increasing competition from low-wage countries in the segment for less sophisticated wires and blanks. There has also been a slow-down of business activity in this industry over the last few months as well which will probably continue to mirror the development of the overall economy.

Profiles, rods and hollow rods for industrial goods and infrastructure are offered in brass and many special alloys by Swissmetal. As a provider of special alloys, Swissmetal can defend a certain market share. The down-market of brass products is increasingly drifting towards Asia. In addition it can be classed as very periodic. However, with the special products there is a range of applications for which Swissmetal has an excellent technical position, long-standing experience and high customer retention it can benefit from combined development processes with customers. With regard to this, one would point out the special alloys for electric railways, profiles for electromagnets, induction ovens, magnet resonance tomographs and super conductors, special profiles for security locks, profiles for machines and apparatus engineering and profiles for medical equipment. Some of these markets are more cyclical, while others, such as railways performing in an anti-cyclic manner. Overall, we are noticing a less profound reaction to the world economy in this group.

The six markets mentioned before make up some 80% of Swissmetal's sales. Apart from these areas of application, Swissmetal, however is very well diversified. This results from the nature of the copper which has innumerable applications because of its particular electric, thermal, mechanic, chemical, anti-corrosive not to mention optical properties. In the strategic company planning, we are distinguishing a few more markets which partially show very untypical economic cycles. In this regard, one could name some architectural applications, battery pens, applications for welding and soldering technology as well as lanyards and pipes for musical instruments.

Measures for different cyclical scenarios

Even if the order entry in the first ten months of 2008 was very pleasing, Swissmetal has also noticed a reduction in inquiries in a few of sales markets for a few weeks. The extent of these new trends is still yet to be seen today. Swissmetal is proactive according to requirements but also fully prepares to the following measures:

- Reduction in overtime accounts and days off during periods of high demand.
- Release of temporary employees.
- Transitional short-time work in individual areas of the sites or as a whole. Swissmetal is in contact with the regional authorities and the employee union representatives to create the possibility of short-time work. Short-time periods in Lüdenscheid and Reconvilier have been specifically arranged.
- In an extreme case: Temporary shutting down of individual facilities as well as restructuring measures. This is preferably to avoid.

Outlook

From today's perspective, Swissmetal will end the financial year 2008 with a gross added value sales of productive plants of approx. CHF 110 million and sales from third-party trading products of approx. CHF 22 million. Furthermore, Swissmetal envisages a balanced result for 2008.

For 2009, Swissmetal is bracing itself for another, particularly challenging year due to the general economic situation. Therefore, the company is preparing itself for a lower demand of diverse dimensions.

As soon as the world economy picks up again, it should be possible for Swissmetal to make a solid profit because the industrial reconstruction program and major restructuring measures are mainly complete. Swissmetal, is adhering without limitation to its aim of an equity return on tax of 9%. This aim can then be fully achieved, as planned, by 2010 if the cyclical situation at that time returns to a level it has achieved in previous years.

Principal elements of the strategic reconstruction of Swissmetal over the years 2006-2010 have been concluded in the meantime. The industrial concept announced in 2005 and its associated capital expenditure program for the Swiss plants in Dornach and Reconvilier is close to completion. The focus on innovative and sophisticated speciality products goes on. Above all, innovation work is oriented towards the development of high quality products on the basis of sophisticated alloys and moulds. For example, Swissmetal is working on new aluminium bronze-alloys. These are very much in demand as a high-strength material in the aeronautics industry and also in the oil industry.

Pleasing progress is being made with the Swissmetal roof tiles made of architectural bronze, thus allowing use of environmental warmth for heat-pump based house heating systems. The test installations which have been ongoing for some months, show that the product not only inspires in the aspects of its design but furthermore, even under difficult weather conditions it clearly surpasses the expected level of performance. Entry on to the market is likely to take place next year and even now there is already a huge demand for it.

Swissmetal commits itself furthermore in the consolidation process of the semi-finished copper product industry. The sharp decline in demand due to the world economic crisis presents a big challenge to all market participants but also produces an additional dynamic in the consolidation process. Swissmetal is keeping its eyes open and is calmly but systematically pursuing opportunities. Through the strategic reconstruction of existing Swissmetal plants as well as the consolidation action, the aim remains to make a contribution to the development of a leading global provider of high quality speciality products based on copper and copper alloys.

Swissmetal produces and sells worldwide high-quality special products made of copper and copper alloys which are mainly used in the electronics, telecommunications, air travel, petroleum, automobile, stationery and watch/clock industries and in the architectural sector. In financial year 2007, Swissmetal achieved turnover of CHF 407.0 million. As at end of November 2008, the company had 702 full time-employees. Swissmetal, with its registered office in Dornach (Switzerland) is quoted on the SWX Swiss Exchange as Swissmetal Holding AG.

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