

# SWISSMETAL Media release

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## **Conversion to the new extrusion press means a big but manageable challenge for Swissmetal**

In the first quarter Swissmetal achieved consolidated gross sales of CHF 91.7 million. The fall of 21% (CHF -24.7 million) versus the prior year quarter was mainly due to lower production output and associated delivery bottlenecks that arose from the major but manageable challenges of incorporating the new extrusion press into the production process at the Dornach site. Swissmetal reacted swiftly to these delivery bottlenecks with 24/7 operation at the Dornach production site to compensate for this. Order intake of CHF 38.1 million as at the end of March was CHF 2.8 million above the prior year and testifies respectable economic prospects for Swissmetal.

The gross margin for the first three months showed a decline of CHF 4.8 million or 12% versus the comparable period in 2007 to CHF 34.3 million. A positive effect of CHF 4.0 million on the gross margin in the first quarter was delivered by further progress on the stock optimization programme. There was a gross added value sales from the manufacturing plants of CHF 29.1 million, that is to say the gross sales less metal at standard metal costs, which lay 15% or CHF 5.2 million below previous year. Connectors, watches and turning parts in particular managed to raise sales. In contrast, the quarterly sales lay in the writing instruments and transportation segments below the prior year. Compared with the prior year, Swissmetal can report a rise in order entries. Despite stable demand for products, in particular the generator segment, sales closed lower because of the conversion of Production to the new extrusion press and the associated lower dispatches.

The operating result before depreciation (EBITDA) of CHF 5.3 million for the first quarter of 2008 turned out 29% lower than in the comparable period of 2007. The operating result after depreciation (EBIT) fell by CHF 0.9 million (33%) to CHF 2.0 million. It was possible to further reduce staff costs in the first quarter of 2008 by CHF 4.0 million, which resulted from the reduction of the employees by 153 to 690 as at the end of March in connection with the consolidation. This allowed the ratio of the gross margin to staff costs to be improved by a further 4 percentage points to 50%. The operating result was also affected by a rise in the start-up costs required for the extrusion press in Dornach and, on the administration side, costs that were required for the implementation of the consolidation strategy. The result contains losses made on derivatives that should be seen in conjunction with profits from the stock optimization. There were positive movements in energy savings with costs being reduced at all sites, with the first synergy effects already visible in Dornach. Because of a negative financial result, earnings after tax (EAT) amounted to CHF -0.3 million in the first three months.

The operating cash flow at CHF 1.0 million (prior year CHF -12.1 million) turned out higher (CHF 13.1 million) than in 2007. Because of investment activities within the framework of the strategic planning including the merger of the factories in Reconvilier, the free cash flow came to CHF -1.7 million.

Despite the hesitant first quarter of 2008, Swissmetal is looking to the future with optimism. The measures implemented in collaboration with the supplier of the extrusion press, which are expected to be completed in the summer of the current year, promise stabilisation of the production plant and hence normalisation in the direction of the production output planned. In April 2008 invoices raised exceeded in comparison with the same month of the last year by 7%, which may be interpreted as a positive sign. The order entry was, as already mentioned, also above the level of orders for the first quarter of 2007.

Since there has been no slowdown in the sector's economic situation to date, Swissmetal is making every effort to reduce the backlogs arising from the conversion in production as soon as

possible and to benefit from the continued solid economic situation and the significantly improved cost structure.

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 April 2008, the company had 658 full time-employees. Swissmetal, with its registered office in Dornach (Switzerland) is quoted on the SWX Swiss Exchange as UMS Schweizerische Metallwerke Holding AG.

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