Dornach, August 14, 2008

Half yearly figures marked by transferral to production with the new Swiss extrusion press

Restructuring measures completed in spring 2008 – improved cost structures – commissioning of the new extrusion press a far greater challenge than anticipated, and with higher additional one-off costs – industry activity remains solid – focal task is the elimination of transfer-related capacity bottlenecks

In the first half of 2008, Swissmetal achieved a consolidated gross sale of CHF 181.3 million. The decline in sales of CHF 42.5 million or 19% was the result of production factors. The supply bottlenecks during the first quarter, caused by the transfer of production to the newly installed extrusion press in Dornach, also restricted sales in the second quarter despite a consistently strong order situation. At the end of June, the order entries of CHF 67.1 million (in BBU) were on an approximate par with those in the previous year (CHF +0.9 million). Despite this, Swissmetal was limiting order acceptances at that time, due to the capacity restrictions caused by the production transition.

The gross margin in the first six months of this year amounted to CHF 70.4 million, a CHF 5.7 million or 7% decline on the same period in 2007. This also includes a figure of CHF 9.0 million attributable to the ongoing stock optimization program.

The gross added value sales (“BBU”) achieved by the manufacturing plants, i.e. the gross sales of the plants less metal at standard metal costs, amounted to CHF 58.6 million and was thus CHF 8.1 million or 12% below the figure booked in the previous year. With respect to third-party products, Swissmetal brought in sales – predominantly in the USA – of CHF 11.3 million, which was 6% below the figure in the previous year in Swiss Francs. At the same time, in local currency the sales in third-party products rose by 10%.

During the first half of 2008, operating income before depreciation (EBITDA) were at CHF 10.9 million (previous year CHF 15.5 million). The operating income (EBIT) amounted to CHF 4.2 million (previous year CHF 6.5 million). It was possible to further reduce personnel costs during the first six months of 2008 due to the now almost complete restructuring program, taking these costs to CHF 33.8 million or a reduction of CHF 6.1 million. However, the operating expenses rose by CHF 5.0 million to CHF 25.7 million, whereby this increase can be predominantly attributed to the procurement of extensive tools for the new extrusion press in Dornach. Furthermore, this figure also contains relocation expenses and material costs incurred in the field of maintenance through additional external orders have risen. One-time administrative expenses resulted from the introduction of SAP to the acquired American trade subsidiary Avins Industrial Products Corp., Warren/NJ, as well as consultancy expenses incurred within the framework of implementing the company strategy. The group energy costs were kept at a constant level despite marked increases on the energy market. This was possible due to the implementation of the industrial concept and the resultant synergy effects. Due to a negative financial result, which mainly reflected exchange rate losses, the result after taxes (EAT) for the first half of 2008 was CHF 1 million (previous year CHF 3.5 million).

The operating cash flow for the first six months improved to CHF -2.8 million (previous year CHF -9.4 million) and was thus CHF 6.6 million higher than in 2007. This can be essentially attributed to the changes in stock, which was facilitated by the aforementioned stock optimization program, and which resulted in a reduction of the net current assets. Investment activities within the framework of strategic planning, the consolidation of the two sites in Reconvilier and expenditure directly

related to the new extrusion press, result in a free cash flow of CHF -9.6 million (previous year: -CHF 21.5 million). The multi-year restructuring and investment program is now in its final phase.
Swissmetal has exhibited significantly enhanced cost structures since the conclusion of its restructuring in spring 2008. At the same time, start-up of the new extrusion press constitutes a significantly greater challenge than had been expected. Eliminating the resulting capacity bottlenecks will therefore be our key objective for the current year. Swissmetal is continuing to cooperate with suppliers and appropriate specialists in order to rectify these technical problems.
Meanwhile, there is no evidence of the much-discussed world economic slowdown in Swissmetal's order entry. No clear trend is apparent. The specialty segments in which Swissmetal operates are growing areas that are likely to develop positively going forward – notwithstanding any fluctuations in the wider economy.

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 July 2008, the company had 683 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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