

Dornach, 23<sup>rd</sup> January 2009

## **Inconsistent demand situation – Swissmetal implements cost savings in central departments (non-production)**

The demand situation started very positively for Swissmetal in the first 3 weeks of the year but it is very erratic, showing an inconsistent picture with regard to the various market segments, and viewed over a more meaningful period of three months, continues to be very depressed. Headcount reductions in the Production department of the Swissmetal factories are not necessary as things look at the moment. Here Swissmetal is adjusting capacity with short working hours measures, which have already been put into practice specifically in Lüdenscheid and Reconvilier. In the central departments i.e. the departments outside production, about 35 out of a total of 134 full time equivalents are being lost in order to arm the company for the possible continuation or even deepening of the economic crisis. The R&D, Technical Marketing and Quality Management departments will now be combined under one manager. Future projects and important technical investment will not be adversely affected by the cost savings. In particular, the Atmova project – the energy-generating roof tiles – will go ahead at full steam.

## **Demand situation in the first few weeks of the new year strong but continuing very erratic. Overall during the last few months there has been a substantial cooling off**

Since the start of the year the demand situation has been 28% above that of the comparable period for the prior year. However, when one looks at the order intake over the period of the last three months, it is 41% below the level of the comparable period in 2007/2008. Demand has been very erratic over the last few months and it shows a very mixed picture across the individual Swissmetal sales markets.

The following remarks about the various market segments show very inconsistent developments since the various industries are subject to very different economic forces.

### ***Order intake for own manufactured products. Comparison of actual with comparable period one year ago***

<b>Market segment</b>	<b>Last 3 weeks compared with prior year</b>	<b>Last 3 months compared with prior year</b>
Generator manufacture	<i>Significantly stronger</i>	<i>Stronger</i>
Connectors	<i>Significantly stronger</i>	<i>Weaker</i>
Cutting	<i>Significantly weaker</i>	<i>Significantly weaker</i>
Watch industry	<i>Significantly weaker</i>	<i>Significantly weaker</i>
Ballpoint pen industry	<i>Significantly weaker</i>	<i>Significantly weaker</i>
Industrial goods+infrastructure	<i>Stronger</i>	<i>Significantly weaker</i>
Other segments combined	<i>Significantly stronger</i>	<i>Significantly weaker</i>

In this economic situation which cannot be accurately assessed, Swissmetal must continue to adapt to very varied demand scenarios and also address the possibility of a longer or worsening global economic crisis with appropriate measures and plans for further measures.

In recent weeks Swissmetal has reduced the production capacity of some specific production lines. This was achieved at the Reconvilier and Lüdenscheid sites by the dismissal of temporary workers, the consumption of overtime accounts, and by short working hours. To date Dornach can still benefit from good capacity utilisation since some production departments continue to experience strong demand and backlogs that are related to the start-up of the new extrusion press and the associated capacity bottlenecks which had to be cleared. However, steps have also been prepared to reduce capacity at Dornach over the coming months if required.

## **Cost-saving measures in the central departments (non-production)**

Staff adjustments have already had to be made in the Swissmetal Production department in the course of the 2006-2010 industrial repositioning programme. Today the production departments, adjusted for the inefficiencies related to the starting up the new extrusion press, show significantly improved overall productivity and efficiency. The impact of capacity fluctuations, even in extreme economic scenarios, should therefore be cushioned in the Production departments by internal measures and short working hours models without any need for lay-offs.

Things look different in the departments outside production, the central departments, where the same measures cannot be applied. For instance, the 80 or so members of the management team (senior staff) cannot go on short working hours. Swissmetal sees its highest priority as adapting to as many economic scenarios as possible, even that of a long-term and profound global economic crisis, and therefore has to drive its fixed costs down as much as possible. Against this background the company decided today to reduce the activities in the central departments to the absolute minimum required. Various projects have been shelved for the time being and the service levels of the central departments have been orientated towards a crisis scenario. These measures allow to reduce the headcount of the central departments throughout the group by 35 full time units. This will reduce the staff headcount in the central departments from 134 to 99 people. In some cases the loss of employees will be of a temporary nature and only for the duration of the crisis. Swissmetal will try to agree individual solutions e.g. sabbaticals, with these people. As soon as the company reactivates various projects, these employees should be able to return to Swissmetal.

The measures introduced will not adversely affect Swissmetal's further business development. Work on important innovation projects and technical developments will go ahead unhindered. In particular the energy-generating roof tile will be marketed under the new brand name of ATMOVA (see [www.atmova.ch](http://www.atmova.ch)). Product development activities in the field of applications for the aircraft and oil industries will also be expanded and extended to other families of alloys, specifically aluminium bronzes.

Despite the setbacks caused by the economic situation, according to the current assessment Swissmetal is in a position to maintain its existing strategy and to enter with determination into the necessary investment in the future.

## **New manager for Research & Development, Technical Marketing and Quality Management**

Swissmetal has decided to combine the Research & Development, Technical Marketing and Quality Management departments under one single group-wide management as of 1<sup>st</sup> February 2009. The new position at Executive Management level will be filled by Mr. Jean-Pierre Tardent (Dipl.Ing. EPFL) who has worked at Swissmetal since 1982 and who has built an excellent reputation for himself in successful product developments e.g. in the sectors of connectors and the aircraft and oil industries.

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 December 2008, the company had 685 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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