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Swissmetal ends a difficult year of transition

Major conversions in production with temporarily heavy negative impact on business operations

In financial year 2008 the Swissmetal Group achieved gross sales of CHF 324.9 million. This was CHF 82.1 million or 20% below the prior year level. Heavy falls in metal prices from the second half year onwards had the greatest impact on the drop in sales. Moreover, delivery bottlenecks resulting from the switch of production to the recently-installed extrusion press reduced gross sales. From the fourth quarter of 2008, the current global economic crisis was also felt in the non-ferrous metal industry. Order entry fell significantly but this did not at this stage affect sales at Swissmetal because of a very well filled order book in 2008.

The gross added value sales (gross sales less metal at standard metal costs) of manufacturing plants came to CHF 113.8 million, thereby showing a fall of CHF 12.3 million (10%) compared with the prior year. The sale of third party products came to CHF 22.8 million, 3.6 million (14%) below the prior year.

The gross margin in 2008 amounted to CHF 126.4 million and was CHF 22.1 million (15%) below the prior year. The ongoing warehouse optimization program made a positive contribution of CHF 9.2 million to this since it was possible to reduce the metal stocks in the production cycle.

The operating income before depreciation (EBITDA) came to CHF 11.2 million and hence CHF 17.4 million less than in the prior year. The decisive factor here was the increase in operating expenses in 2008 which could be attributed above all to the higher costs of consumables and supplies, which in turn are to be seen in connection with the conversion to the new extrusion press and the move of various production lines in Reconvilier and in Lüdenscheid. After depreciation and amortization – and here the new press was included in 2008 for the first time – there was an operating income (EBIT) for Swissmetal of CHF -2.4 million, which corresponds to a fall of CHF 16.9 million compared with the prior year. The EBIT slid into the negative side since, in addition to all the above-mentioned effects, as a result of very low metal prices towards the year-end, it was necessary to devaluate the metal stocks by CHF 4.7 million. The result for the year (EAT) is correspondingly reduced in a year-on-year comparison by CHF 17.9 million to CHF -6.5 million.

The balance sheet total for Swissmetal Group as at 31 December 2008 fell compared with the prior year by CHF 27.1 million to CHF 209.8 million. This is mainly attributable to the decrease in working capital, which in turn is the result of the reduction in receivables and the stock reduction as well as the stock devaluation.

With regard to the economy, the negative trend in demand of the 4th quarter of 2008 continued into the start of 2009 and is still with us today. Order entry continues to be significantly below the prior year in practically all market segments. Swissmetal has once more reduced costs with a number of measures in order to lower the breakeven point and thereby to arm itself as well as possible for various scenarios of the still ongoing economic crisis. These also include short time working measures at all three production sites.

Having survived the current global economic crisis, Swissmetal should be able to exploit interesting potential and grow profitably with its fundamentally restructured cost structure, its well-positioned products and its high level of innovation.

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 2008, Swissmetal achieved turnover of CHF 324.9 million. As at end of February 2009, the company had 658 full time-employees. Swissmetal, with its registered office in Dornach (Switzerland) is quoted on the SIX Swiss Exchange as Swissmetal Holding AG.

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