

## SW Umwelttechnik: 3<sup>rd</sup> quarter information

- **Revenue up by 20% despite harsh trading environment**
- **Strong order intake in Romania and Hungary**
- **Record EBITDA of €7.1 million (m)**

On the basis of its interim figures SW Umwelttechnik — a family firm listed on the Vienna Stock Exchange since 1997 — is forecasting overall revenue growth of about 12% for 2008 as a whole, and a further marked increase in EBITDA. Despite a pronounced deterioration in the trading environment, and order cancellations in Hungary, we expect EBIT to hold at last year's level. Operations in Romania are going to plan, and revenue should be more than double last year's level.

### Revenue and earnings

Revenue rose by about 20% over the first three quarters, to reach €81.7m (Q1–Q3 2007: €68.5m). The revenue contributions of the Infrastructure and Water Conservation sectors were up by over 20% year on year, more than compensating for the decline in that of the Engineering sector.

Revenue generated in Romania trebled to €15m, and was the main driver of overall growth.

EBIT for the first three quarters advanced to €2.8m from €2.0m in the comparative period, despite a sharp increase in other operating expenses due to higher energy and transport costs. EBITDA hit a new high of €7.1m (Q1–Q3 2007: 5.6m). The €0.3m loss on ordinary activities (Q1–Q3 2007: POA of €0.6m) reflected an increase in interest expense to €3.3m (Q1–Q3 2007: €1.9m) and modest exchange gains of €0.2m (Q1–Q3 2007: €0.5m).

The third quarter was hallmarked by a significant worsening in market conditions in Hungary, where orders from industrial and commercial clients worth a total of €9m were cancelled. In spite of this, quarterly revenue was up by 12% to €30.5m (Q3 2007: €27.0m). However EBIT was well below expectations at €0.4m (Q3 2007: €2.2m), depressed by €1m in increases in raw material price increases which could not be passed on to customers and by higher freight costs. Net finance costs of €2.4m (Q3 2007: €2.0m), influenced by €1.3m in interest expense and €1.1m in exchange losses, resulted in a loss on ordinary activities of €1.9m (Q3 2007: POA of €0.3m).

### Segmental report

There was a shift in the segmental composition of revenue in favour of the Infrastructure sector over the first three quarters of this year. The Infrastructure business contributed 56.7% (Q1–Q3 2007: 53.3%), the Water Conservation sector 29.1% (Q1–Q3 2007: 28.3%) and the Engineering sector 14.2% (Q1–Q3 2007: 18.4%). The trend chiefly reflected the dearth of Hungarian municipal contracts for the Engineering sector since the summer of 2007, and the resultant reliance on the industrial and commercial system building products supplied by the Infrastructure sector.

Despite adverse trading conditions the largest revenue contribution in terms of geographical markets again came from Hungary at 55.8% (Q1–Q3 2007: 61.9%), while Romania made up 18.4% of the total (Q1–Q3 2007: 8.1%) — more than double its share a year earlier. The contribution of the Austrian market was almost stable at 18.6% (Q1–Q3 2007: 20.5%), and actually increased in absolute terms. Slovakia accounted for 4.1% of revenue (Q1–Q3 2007: 6.1%), and other countries including Italy and Slovenia 3.1% (Q1–Q3 2007: 3.4%).

### **Order backlog**

As at 30 September 2008 order backlog was €44.1m (30 Sept. 2007: 41.5m). The increase was largely due to order intake in Romania, which rose from €7.0m to €17.4m between the two interim balance sheet dates. By contrast, in Hungary orders for industrial and commercial buildings worth a total of €9m were cancelled due the clients' lack of access to credit.

### **Assets and finances**

Non-current assets expanded to €79.5m (30 September 2007: €71.7m) as a result of the large-scale investment programme implemented in 2007 and 2008. Current assets grew to €49.4m from €46.5m in the comparative period, due to the increase in revenue. Total assets climbed by 10% over the first three quarters, to stand at €130.5m (30 September 2007: €118.5m).

Borrowings to finance expansion rose from €67.9m to €78.3m, while equity edged up from €26.8m to €28.4m.

### **Capital expenditure**

Capital expenditure of €8.7m over the first three quarters of 2008 was largely channelled into the completion of plant upgrading and expansion projects in Hungary and Romania. The investment budget approved by the Supervisory Board for the year as a whole amounts to €10.0m.

### **Share price performance**

There was no escaping the fall-out from the turmoil on financial markets, and our share price slumped to about €47.5 during the third quarter. Performance was roughly average for ATX listed shares.

### **Employees**

The average head count in the year to 30 September was 885, compared to 777 in the comparative period. This increase mainly resulted from the growth in the Romanian workforce from 90 to 202. Adjustments to the current market situation in Hungary, undertaken in October, will lead to a reduction in the head count there.

### **Outlook**

We are forecasting double-digit growth in full-year revenue on the strength of current order intake in Romania, our uncontested market leadership in Hungary, the success of the current export drive and our innovative product developments. These factors, and management's rapid reaction to the changed market situation underpin the positive outlook for SW Umwelttechnik despite challenging market conditions.

- In Hungary, we adjusted our head count to the changed economic situation in the third quarter. Further reductions in fixed costs are planned by the end of the year. The anticipated decline in sales to industrial and commercial clients in the fourth quarter should be more than offset by increased exports to Romania and Slovakia, and the recovery in the Water Conservation sector's business.
- In Romania, the factory in Timisoara is fully operational, and the Bucharest plant is working single shifts. Work on the second expansion phase in Bucharest, involving the creation of capacity for water conservation products, is due to start at the beginning of 2009 and is scheduled for completion in mid-2010. There are plans to purchase a site in the Moldova region in 2009, and the commencement of works at the site in Targu Mures, in central Transylvania is scheduled for late 2009.

- In Austria, we have expanded our market shares, and expect to post further year-on-year revenue gains.

On the basis of the information currently available to us we regard the following scenario as realistic for 2009:

- In Romania, economic growth will slow, but is still expected to come in at 4% or more. In the light of the excellent order intake in all of our businesses we anticipate continued rapid revenue and earnings growth.
- In Hungary, the outlook for the economy is for zero growth at best. However we see the Water Conservation sector and probably also the Engineering sector posting improved performance — particularly if a stimulus package is introduced — meaning that revenue should at least be stable.
- In Austria, the main business, Water Conservation should continue to grow as a result of the new products and the promised stimulus package.

Overall, we expect revenue growth and improved earnings in 2009 despite the slide into recession throughout Europe.

Founded in 1910, SW Umwelttechnik remains a family business, though it has been listed on the Vienna Stock Exchange since 1997. The group is widely identified with sustainable enterprise and rapid expansion in Central and Southeastern Europe (CSE). Its innovative environmental technology products are contributing to infrastructure renewal in CSE.

## **Contacts**

Dr. Bernd Wolschner  
Member of the Management Board  
Tel: +43 (0)7259 31350  
Mobile: +43 (0)664 3413953  
Fax: +43 (0)463 37667

**Michaela Werbitsch**  
Investor Relations  
Tel.: +43 (0)664 8117662  
Fax: +43 (0)1 8772617  
E-mail: [michaela.werbitsch@sw-umwelttechnik.com](mailto:michaela.werbitsch@sw-umwelttechnik.com)

Web: [www.sw-umwelttechnik.com](http://www.sw-umwelttechnik.com)