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EANS-Adhoc: SW Umwelttechnik unveils annual results

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- * Revenue up by 14% to EUR109.8 million
- * Restructuring programme launched in fourth quarter
- * Positive outlook thanks to strong order books (EUR37 million)

Vienna, 22 April - At the press conference today joint chief executives Bernd Wolschner and Klaus Einfalt unveiled SW Umwelttechnik's results for 2008. Revenue was up by 14% despite economic headwinds, particularly in Hungary, and good order intake should ensure that capacity utilisation remains strong for the rest of this year.

Revenue

Following a bright first half, in the second half of 2008 Central and Southeastern Europe - SW Umwelttechnik's main market - was battered by the global economic and financial crisis. Hungary was worst hit, with an abrupt fall-off in investment in industrial and commercial buildings, bringing EUR11m in order cancellations for SW Umwelttechnik.

The revenue contribution of the Hungarian market slipped to 55% (2007: 60%) or EUR61m, while that of the Romanian market doubled to an on-target 19% (2007: 9%) or EUR21m, and that of Austria was almost unchanged at 19% or EUR21m (2007: 20%).

The revenue share of SW Umwelttechnik's Infrastructure sector rose to EUR58m or 53% (2007: 51%). The Water Conservation sector generated EUR35m or 32% of revenue (2007: 30%), buoyed by revenue growth on the Romanian market, while the Engineering sector accounted for EUR16m or 15% of revenue (2007: 19%) owing to the Hungarian government's restrictive fiscal policies in the 2007-2008 period.

The revenue contributions of the Water Conservation and Engineering sectors are set to continue to improve in 2009 thanks to the lift for municipal investment from the announced stimulus packages and efforts to comply with European Union environmental directives, which are now being backed by the IMF. The Engineering sector, which tends to be a good indicator of local government demand, recorded strong order intake at the start of 2009.

Earnings

Earnings before interest and tax (EBIT) mirrored harsh market conditions, and weak trading in Hungary had a particularly negative impact. EBIT more than halved to EUR2.2m in 2008 (2007: EUR4.6m). This result already includes the cost of the restructuring actions implemented in Hungary to adjust to poor economic situation. Management moved quickly to ensure that the company was well placed to ride out the downturn, laying off 200 agency workers and 200 internal staff in Hungary in the fourth quarter of 2008. These staff reductions will only be visible in the 2009 head count.

EBIT before non-recurring items was up on the previous year's figure at EUR5.1m.

Despite the restructuring programmes EBITDA was only 18% below the record figure in 2007, at EUR7.7m.

SW Umwelttechnik's recent expansion in Southeastern Europe has increased its exposure to currency risk. Sharp movements in the Hungarian forint (HUF) and Romanian lei (RON) exchange rates towards the end of the year led to temporary book losses of EUR5m for financial 2008.

Consequently net finance costs jumped to EUR7.2m from EUR3.3m a year earlier; EUR3m of the increase came from noncash costs. Management expects the volatility of these currencies to abate in the medium term, and the exchange rates to return to their normal ranges, meaning that items that have been written down can be revalued accordingly.

Higher finance costs meant that SW Umwelttechnik swung into a loss on ordinary activities of EUR5.0m (2007: +EUR1.2). However underlying profit on ordinary activities - excluding noncash exchange losses and one-time charges - was EUR0.9m.

Due to the noncash exchange losses and non-recurring expenses SW Umwelttechnik posted a loss attributable to equity shareholders of EUR3.6m (2007: +EUR1.8m). This figure includes the restructuring costs.

Assets and finances

Over the past three years SW Umwelttechnik has invested some EUR50m in a modernisation and expansion programme focused on Hungary and the fast growing Romanian market. This will enable the Company to generate rapid revenue growth without making additional investments once the trading environment brightens.

Although investment totalled EUR9.4m - well above depreciation of EUR5.6m - non-current assets rose only slightly, from EUR74.5m to EUR75.2m. The impact of the financial crisis was reflected in the instability of the HUF and RON, which were both devalued by around 10% against the euro in the final quarter of 2008, wiping EUR3.9m off the carrying value of non-current assets.

Current assets also shrank, falling from EUR44.5m to EUR39.7m, of which EUR1.9m was attributable to exchange rate declines and EUR2.9m to reduced volume. Total assets contracted from EUR120.2m to EUR117.4m.

Equity was down from EUR27.2m to EUR20.3m as a result of the loss for the period of EUR3.6m, currency translation losses of EUR1.7m and a charge of EUR0.9m resulting from application of the net investment approach - all items influenced by exchange rate movements. The equity ratio declined to 17.4% (2007: 22.6%). In consequence one of management's main priorities in 2009 will be strengthening the balance sheet.

In terms of the intrinsic value of property, plant and equipment - excluding the currency depreciations in 2007 and 2008 - SW Umwelttechnik's equity amounts to EUR35m, and the equity ratio is 27%.

Borrowings were up from EUR72.2m to EUR77.6m at balance sheet date; long-term borrowings accounted for 62% of the total (2007: 52%). In order to ensure that the company is able to meet its financing requirements management is aiming for an increase in long-term borrowings to 66% - the same ratio as that of property, plant and equipment to total assets.

Order backlog

Order backlog at year end was a satisfactory EUR37.4m. While this failed to match the record EUR46m reported at year end 2007 it was still well above the 2006 figure of EUR25.9m. Current robust order intake in Hungary and Romania, driven by public sector environmental and infrastructure investment, is particularly encouraging in view of the challenging trading environment.

Employees

The average head count rose to 896 in 2008 (2007: 797) due to expansion in Romania. The Romanian workforce grew to 221 (2007: 99) as a result of the start-up of the Bucharest factory. The reduction of 200 in the permanent labour force in Hungary, initiated during the fourth quarter, is included in expenses for 2008, but the positive impact on costs will not be seen until 2009.

Investment

Following the record EUR26m investment programme in 2007, in 2008 a healthy EUR9.4m went to completing the new plants; EUR5.1m was spent in Hungary and EUR3.2m in Romania.

Dividend recommendation

The Management Board will recommend to the AGM forgoing payment of a dividend for 2008 financial year because of the overall economic situation and the loss for the year.

It should be noted that the Management Board received no variable (performance related) remuneration for the 2008 financial year.

Outlook

SW Umwelttechnik's investment of EUR50m in expansion in Hungary and Romania has created strong positions in these markets, and its modern production facilities have given it cost leadership there.

The expectation is for a further sharp decline in all forms of industrial and commercial investment across the entire CSE region in 2009, offset by growing public sector investment as a result of the announced stimulus packages. SW Umwelttechnik has a good name as a public sector contractor, as shown by recent orders.

Management anticipates the following trends in the company's main markets:

- . In Romania, economic growth will slow, but is expected to remain positive. Municipal environmental and infrastructure investment cofinanced by the EU should continue to expand rapidly in 2009. Romania will remain the main growth driver for SW Umwelttechnik. Investment in further expansion is currently on hold but should restart in 2010. The company plans to offer its full product range across the entire country. This will involve further expansion of the Bucharest plant and the development of additional production facilities in Transylvania (a site has already been acquired in Targu Mures) and the Moldova region.
- . Hungarian GDP is forecast to contract by 3%, leading to a sharp fall in industrial and commercial investment. The Water Conservation sector, and probably also the Engineering sector, look set for further growth - partly as a result of a mooted stimulus package.
- . Compared with Central and Southeastern Europe, the situation in Austria is relatively stable. Restructuring programmes have been implemented in recent years, and SW Umwelttechnik is now well established as a successful niche player. In Austria the main business, Water Conservation, should continue to grow as a result of new product developments and the stimulus package.

All in all, SW Umwelttechnik expects only a slight decline in revenue in 2009 due to its strong market shares, and is looking forward to a profitable year as a result of the restructuring measures that are already in place.

Financial highlights

Summary balance sheet

EUR '000	2008	%	2007	%	2006	%
		interest		interest		interest
ASSETS	117,379	100	120,194	100	95,474	100
Non-current assets	77,664	66.2	75,707	63.0	57,911	60.7
Current assets	39,715	33.8	44,487	37.0	37,563	39.3
EQUITY AND LIABILITIES	117,379	100	120,194	100	95,474	100

Equity	20,459	17.4	27,211	22.6	26,490	27.7
Long-term liabilities	51,762	44.1	41,153	34.3	24,833	26.0
Current liabilities	45,158	38.5	51,830	43.1	44,151	46.3

Summary income statement

EUR m	2008	2007
Revenue	109.8	96.1
EBIT	2.2	4.6
ebit*	5.1	4.6
EBITDA	7.7	9.4
POA	-5.0	1.2
poa*	0.9	2.0
Profit/loss for the period attributable to equity shareholders	-3.8	1.7

ebit*= before non-recurring items

poa*= underlying POA

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

Further inquiry note:

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