

SW Umwelttechnik announces first quarter figures

- **Revenue €8.4 million — similar to Q1 2005/2006**
- **Good prospects for Water Conservation business**
- **Results impacted by volatile exchange rates in CSE**
- **€41m order backlog points to positive outlook**

SW Umwelttechnik's results for the first quarter of 2009 were impacted by the late restart to construction activity due to cold weather, and by the extreme volatility of Central and Southeast European (CSE) exchange rates. "On top of the harsh trading environment, especially in Hungary, we were hit by a very long winter and the resulting low levels of construction activity, as well as CSE exchange rate volatility," said CEO Bernd Wolschner, commenting on the interim results. The first quarter is normally seasonally weak for SW Umwelttechnik, and is not indicative of full-year performance.

In line with expectations, SW Umwelttechnik suffered steep declines in first-quarter revenue and earnings relative to a record-breaking comparative period in 2008. Revenue was 54% down year on year to €8.4 million (m) (Q1 2008: €18.4m) — similar to first-quarter levels in 2005 and 2006, when there were also severe winters.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were negative by €2.3m (Q1 2008: -€0.4m), and EBIT by €3.7m (Q1 2008: -€1.6m). These figures, too, were roughly the same as in 2005 and 2006.

Net finance costs reflected accounting (non-cash) exchange losses of €4.4m due to further heavy devaluations of CSE currencies. The Hungarian forint (HUF) and the Romanian lei (RON) hit historic lows of 309 and 4.3 to the euro, respectively. This led to a loss on ordinary activities of €8.9m (Q1 2008: -€3.8m).

As anticipated, by mid-May IMF and ECB support had lifted the HUF to 278 and the RON to 4.15 to the euro. While both exchange rates are likely to remain volatile for some time they are seen stabilising at around the year-end 2008 mid rates of HUF 265/€ and RON 4.0/€ towards the end of this year.

Segment performance

In line with management's forecasts, there were big shifts in segmental revenue performance.

The company's Water Conservation sector generated 48% of revenue (Q1 2008: 27%) while revenue fell by 20% year on year, mainly as a result of the unfavourable weather conditions. Revenue in the Infrastructure sector was down by 72% for a 41% share of the total (Q1 2008: 68%), depressed by the slump in demand for industrial and commercial buildings and by weak residential construction, especially in the core Hungarian market. The revenue contribution of the Engineering sector advanced to 11% (Q1 2008: 8%) though revenue shrank by 38% year on year — likewise affected by the late resumption of construction work due to the cold weather. However order intake in this business rose sharply.

There were also marked performance variations between geographical markets. Revenue in SW Umwelttechnik's main market, Hungary, plunged by 66%, and the country accounted for only 40% of revenue (Q1 2008: 62%), while sales in Austria dropped by 21% for a revenue share of 30% (Q1 2008: 17%) and Romanian sales decreased by 45% for a 21% revenue contribution (Q1 2008: 17%).

Balance sheet

Non-current assets were down from €77.6m to €69.7m; exchange rate movements in the first quarter were responsible for €7m of the decline. Current assets also fell markedly, from €39.7m to €28.7m. Currency effects caused €4m of the change, and €6m was due to reduced inventories and receivables.

The €4.5m operating loss cut equity from €20.5m to €16m. In addition, noncash writedowns arising from foreign exchange rate volatility totalled about €10m (only in the first quarter of 2009), leaving equity according to IFRS at €6.2m.

Applying the normal exchange rates of HUF 254/€ and RON 3.60/€ ruling on 31 December 2007 to non-current assets (which represent the company's intrinsic

value) and including €10m in undisclosed reserves in the shape of surplus land, results in figures of €27.3m for equity and €119.6m for total assets (equity ratio 23%).

The company's debt burden increased by €2.3m from €77.6m to €79.9m during the first quarter, due to seasonal factors. However the ratio of long-term to total borrowings remained above 60%.

Order backlog

Order backlog also mirrors the current economic situation, and the recent shifts between geographical markets and business segments. Order bookings during the quarter vindicated the company's strategy of securing local authority contracts for its Infrastructure and Water Conservation business sectors. As at 31 March 2009 order backlog was down only 12% year on year, at €41m.

Order books slid by 60% to €12m in Hungary (Q1 2008: €31m), but climbed by 30% to €4m in Austria (Q1 2008: €3m) and more than doubled to €21m (Q1 2008: €10m) in Romania.

Order books were roughly stable in the Water Conservation sector at €7m, were up by 45% year on year in the Engineering sector at €17m, and were 40% down to €17m in the Infrastructure sector, which largely depends on demand for industrial and commercial buildings.

Outlook

Trading conditions are set to remain challenging throughout 2009. However local government investment spending should pick up because of the announced stimulus packages and the IMF's support for adjustment to EU standards.

Management sees maintaining liquidity as one of its key goals for the current financial year. Because of this planned expansion, investments in Romania have been postponed and replacement investments are being limited to €2m. Inventory and receivables management have been optimised in order to increase liquid resources.

Thanks to the restructuring measures that have already been implemented, the company is well placed to cope with today's changed trading environment. The restructuring programme is expected to reduce fixed costs by €5m, leading to a marked improvement in profitability.

The company anticipates a decline in revenue due to the slump in investment by industrial and commercial clients, but expects this to be partly offset by increased public sector investment as a result of the stimulus programmes. SW Umwelttechnik has an excellent reputation as a local government contractor, as shown by current order intake.

Income statement

Mio. €	Q1 2009	Q1 2008
Revenue	8,4	18,4
EBIT	-3,7	-1,6
EBITDA	-2,3	-0,4
POA	-8,9	-3,8

Balance sheet

Mio. €	Q1 2009 intrinsic value	Q1 2009	Q1 2008
Assets	119,5	98,5	117,4
Non-current assets	90,8	69,7	75,6
Current assets	28,7	28,7	41,8
Equity and liabilities	119,5	98,5	117,4
Equity	27,2	6,2	23,0
Liabilities	92,3	92,3	94,4
Thereof financial liabilities	79,9	79,9	75,5

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

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