

## **EANS-Adhoc: SW Umwelttechnik unveils 2009 preliminary results**

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Revenue down to EUR66 million due to bleak trading environment  
 Successful adjustment to changed market conditions  
 EBITDA margin satisfactory in second half

SW Umwelttechnik a Vienna listed family firm with its core markets in Central and Southeastern Europe today reported 40% year-on-year fall in revenue to EUR66 million (m) for the 2009 financial year. However preliminary EBITDA came in at EUR7.2m only 7% lower (2008: EUR7.7m). The steady improvement in earnings over the year vindicates the company's strategy. SW Umwelttechnik expects its focus on local government infrastructure projects and last year's cost reduction programmes to deliver earnings growth in 2010.

### Results for 2009

For SW Umwelttechnik 2009 was overshadowed by the recession, which hit the company's key Hungarian and Romanian markets harder than expected. GDP contracted by 6.5% in Hungary, by 7.0% in Romania and by 3.8% in Austria. Industrial production tumbled by 15% in Hungary and by 12% in Austria, and also slipped by 5% in Romania. Many local government projects originally scheduled for early 2009 were put back until the end of the year. Management now expects ongoing stimulus programmes, and assistance for Hungary and Romania from the IMF and the ECB to be particularly beneficial to SW Umwelttechnik.

The company responded to the economic situation in the first half of 2009 by launching radical restructuring programmes which returned EBITDA margins to normal by the third quarter. This improvement was driven by action to strengthen the focus of marketing efforts on winning local government business, and to realign headcount to reduced output and fixed costs to revenue.

The year-on-year revenue declines narrowed steadily in the course of the year (Q1: 55%; Q2: 44%; Q3: 34%; Q4: 31%) for a preliminary full-year total of EUR66m compared to EUR110m in 2008.

In Hungary, the country worst affected by the recession, revenue was almost halved to EUR31m (2008: EUR61m), but this remained SW Umwelttechnik's largest market with a revenue contribution of 47% (2008: 55%). Revenue in Romania slid by 35% to EUR13.6m (2008: EUR20.9m), but the country revenue share edged up to 20% (2008: 19%). Revenue generated in Austria was only 10% lower, and the revenue contribution jumped to 28% (2008: 19%).

The company's Infrastructure sector which was particularly severely impacted by the collapse of demand for industrial and commercial buildings sustained a 61% drop in revenue to EUR22.6m (2008: EUR58.4m), resulting in a segmental revenue share of just 36% (2008: 53%). Revenue in the Water Conservation sector climbed to EUR33.7m (2008: EUR35.1m), equal to 51% of the total (2008: 32%). The Engineering sector posted revenue of EUR10.0m for a 15% revenue contribution unchanged from 2008; delays in payments from Romanian local authorities prevented it from raising its share of turnover. Despite shrinking revenue SW Umwelttechnik held its market shares, and the Water Conservation sector made major inroads in the Romanian market.

EBITDA slumped in the first half of 2009 due to collapsing revenue, but EBITDA margins normalised in the third and fourth quarters as a result of restructuring. Full-year EBITDA was only 7% down at EUR7.2m (2008: EUR7.7m).

The combination of constant depreciation and reduced output meant that EBIT fell more sharply, declining to EUR1.2m (2008: EUR2.2m).

The company posted a loss on ordinary activities of EUR3.1m (2008: EUR5.0m) after EUR1.5m in exchange losses, caused by the devaluation of the Hungarian forint and the Romanian leu, and interest expense of EUR3.1m. The loss for the period attributable to equity shareholders was EUR3.3m (2008: EUR3.6m).

#### Fourth quarter performance

Revenue was 31% down year on year at EUR19.2m (Q4 2008: EUR28m). Operating EBITDA jumped to EUR2.4m (2008: EUR0.7m) and the EBITDA margin was 12%. The previously announced decision to apply IAS 40 (inclusion of surplus land in the balance sheet) lifted fourth-quarter EBITDA by EUR2.9m to EUR5.3m, and boosted EBIT to EUR3.7m (Q4 2008: EUR0.6m).

#### Order backlog

Order backlog as at 31 December 2009 stood at EUR32.8m 12% down year on year (31 Dec. 2008: EUR37.4m) but 4% up quarter on quarter.

In Hungary environmental contract awards rose from EUR90m in 2008 to EUR213m in 2009 (mostly bunched in the last quarter), and are predicted to surge to EUR500m in 2010. In Romania the rapid formation of a government in December 2009, opening the way for continued IMF and ECB funding, is expected to result in a sharp increase in municipal contract awards.

#### Employees

Staff costs (including agency workers) were trimmed by over 25% to adjust to the 27% fall in output volume. The average number of own staff decreased to 735 in 2009 (2008: 896).

#### Investment

The EUR2.7m investment programme in 2009 was largely devoted to updating and extending the product range. In line with the revision of SW Umwelttechnik's strategy to reflect changed economic circumstances, investments in expansion have been put on hold, and the emphasis is now on consolidating the company's finances and maintaining liquidity.

#### Outlook

It remains very difficult to make reliable predictions about the outlook for SW Umwelttechnik's markets.

However, as stated in the company's third quarter interim report, demand has clearly stabilised since the summer of 2009. The implementation of the stimulus packages in Austria, and the support from the IMF and the ECB for Hungary and Romania should give the markets served by SW Umwelttechnik a shot in the arm. Management sees local government investment in Hungary and Romania picking up sharply in mid-2010, while a sustained recovery in demand from industrial and commercial clients should kick in by the end of 2010 in Romania and 2011 in Hungary.

SW Umwelttechnik's long-term strategic goals of exploiting the opportunities for sustainable growth in Central and Southeastern Europe and claiming top-three positions in its core markets remain in place, despite the challenging economic climate. Thanks to the cost savings and investment in modern plant, the company is well placed to gain from the expected economic upturn.

#### Financial highlights

EUR m	2009	2008
Revenue	66.2	109.8
EBIT	1.3	2.2
EBITDA	7.2	7.7
POA	-3.1	-5.0
Profit/loss for the period attributable to equity shareholders	-3.3	-3.6

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.

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