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EANS-Adhoc: First-half figures show restructuring bringing results for SW Umwelttechnik

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- * Strong order books despite poor trading environment
 - * Prompt restructuring actions starting to bear fruit
 - * Bright outlook for Water Conservation sector
- thanks to stimulus packages

The economic climate in Central and Southeastern Europe (CSE) has worsened dramatically since mid-2008. However Vienna listed SW Umwelttechnik has been quick in responding to the recession which is forecast to last for about two years.

Head count has been aligned to revenue expectations, resulting in a 30% reduction between the fourth quarter of 2008 and the second quarter of 2009. SW Umwelttechnik has shifted its focus towards the local government investment market, as the stimulus packages announced in all the countries where it operates point to revenue growth in this area. The company has put planned expansion investments on hold, and pruned current assets by running down inventories and exercising strict control of receivables. These actions have both enabled it to maintain liquidity and resulted in an improvement in its cost base which is already being felt. Fixed staff costs have fallen by EUR1.8 million (m) year on year, and other operating expenses by EUR3.7m.

First-half revenue slid by 48% to EUR26.8m from EUR51.3m in the like period of 2008. While performance in the first half of 2008 was an exceptionally strong this year's figure also represented a 30% decline compared to the average for the past few years. The market for industrial and commercial buildings served by SW Umwelttechnik's Infrastructure business sector has collapsed. However the Water Conservation sector has recorded healthy order intake, despite continued delays in public funding in Hungary and Romania.

Earnings before interest and tax (EBIT) for the first half were negative in line with the normal seasonal pattern for the industry, and there was a loss of EUR3.5m (H1 2008: EUR+2.4m - the first positive figure in the company's history).

EBITDA was also marginally negative at EUR-0.6m (H1 2008: EUR+5.2m). Thanks to recent restructuring programmes, in the second quarter alone EBITDA was positive by EUR1.7m, and EBIT by EUR0.3m, despite the adverse trading environment.

Net finance costs decreased as a result of reduced interest expense due to the lower Euribor rate, and of the stabilisation of the forint exchange rate in the second quarter. Half-yearly net finance costs narrowed to EUR2.4m from EUR4.4m in the first quarter (H1 2008: EUR0.7m); the H1 figure includes EUR1.3m in noncash accounting losses.

These developments led to a loss on ordinary activities of EUR6.3m, compared to a profit of EUR1.7m in the like period of 2008. The second quarter brought a profit on ordinary activities (POA) of EUR2.5m - down from the EUR5.4m posted in Q2 2008 but well up on the quarterly results between 2005 and 2007.

Order backlog

Order backlog stood at a satisfactory EUR39.3m as at 30 June 2009. This was 29% down year on year (H1 2008: EUR55.6m), but when adjusted for EUR13m in subsequent contract cancellations the difference falls to 7%. Order books remained well above the EUR26.8m recorded in 2007.

Employees

Head count averaged 748 in the first half - a year-on-year reduction of only 12% (H1 2008: 854). However head count as at 30 June was 29% down at 766 (30 June 2008: 1,090), in line with management's target. The personnel adjustments should bring annual savings of at least EUR5m in fixed costs.

Assets and finances

Non-current assets contracted to EUR71.5m (30 June 2008: EUR80.2m), mainly as a result of exchange losses. Current assets were slashed from EUR48.1m to EUR33.2m by action to run down inventories and tight receivables management. As a result total assets diminished to EUR107.1m (30 June 2008: EUR129.8m).

Equity fell heavily year on year, to stand at EUR12.5m (30 June 2008: EUR31.8m). The equity ratio dropped to 11.7% (H1 2008: 24.5%), but was double its level at the end of the first quarter. Taking the intrinsic value of the non-current assets (i.e. the value excluding noncash accounting losses arising on translation recognised since 31 December 2007), and including EUR10m in undisclosed reserves in the form of surplus property, equity rises to EUR28.6m, and the equity ratio to 23.2%.

Borrowings climbed from EUR78.6m to EUR80.3m, largely reflecting seasonal factors in the first quarter. SW Umwelttechnik is currently evaluating state credit guarantees and other means of strengthening its equity base which are feasible in the medium term.

Investment

In line with the company's revised strategy investments in expansion have been put on hold, and preference given to consolidating its finances and maintaining liquidity. During the first half of 2009 only minor investments, totalling EUR1.4m, were made in extending the product range. Investment spending of EUR3.0m is planned for the year as a whole.

Outlook

Management is basing its strategy on the expectation that demand for industrial and commercial buildings will remain weak in all CSE markets, and that growth in the local government investment market (environmental and transport infrastructure) will only recoup part of the resultant loss of revenue. The stimulus packages announced by the Hungarian and Romanian governments will not kick in until late 2009 and 2010, respectively.

Hungary

In Hungary the industrial and commercial building market is set to remain weak for some time to come, but municipal investment should gradually pick up in the second half of 2009 due to cofinancing backed by the IMF and the ECB.

Romania

In Romania, too, industrial and commercial construction - still booming as recently as the summer of 2008 - came to a virtual standstill at the start of 2009. However a slight recovery is already under way, due to strong pent-up demand. Local government investment should grow strongly in the second half, but the stimulus packages are not expected to feed through until 2010.

Austria

Management anticipates only a slight downturn in business in Austria this year. Thanks to the success of recently launched product developments sales in the market segments served by the SW Umwelttechnik should remain roughly stable.

Summary income statement in EUR m

	H1 2009	H1 2008		
Revenue	26.8	51.3		
EBIT	-3.5	2.4		
EBITDA	-0.6	5.2		
POA	-6.3	1.7		

Summary balance sheet in EUR m

	H 1 2009 incl. intrinsic value and undisclosed reserves	H 1 2009	H 1 2008	
Non-current assets	87.5	71.5	80.2	
Current assets	33.2	33.2	48.1	
Total assets	123.1	107.1	129.8	
Equity	28.6	12.5	31.8	
Debt	94.6	94.6	98.1	

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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