



keywords: Financial Figures/Balance Sheet/9-month report

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- * Revenue up by 20% despite harsh trading environment
- * Strong order intake in Romania and Hungary
- * Record EBITDA of EUR7.1 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 EUR81.7m (Q1-Q3

2007: EUR68.5m). 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 EUR15m, and was the main driver of overall growth.

EBIT for the first three quarters advanced to EUR2.8m from EUR2.0m 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 EUR7.1m (Q1-Q3 2007:

5.6m). The EUR0.3m loss on ordinary activities (Q1-Q3 2007: POA of EUR0.6m)

reflected an increase in interest expense to EUR3.3m (Q1-Q3 2007: EUR1.9m) and modest exchange gains of EUR0.2m (Q1-Q3 2007: EUR0.5m).

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 EUR9m were cancelled. In spite of this, quarterly revenue was up by 12% to EUR30.5m (Q3 2007: EUR27.0m). However EBIT was well below expectations at EUR0.4m (Q3 2007: EUR2.2m), depressed by EUR1m in increases in raw material price increases which could not be passed on to customers and by higher freight costs. Net finance costs of EUR2.4m (Q3 2007: EUR2.0m), influenced by EUR1.3m in

interest expense and EUR1.1m in exchange losses, resulted in a loss on ordinary activities of EUR1.9m (Q3 2007: POA of EUR0.3m).

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 EUR44.1m (30 Sept. 2007: 41.5m). The increase was largely due to order intake in Romania, which rose from EUR7.0m to EUR17.4m between the two interim balance sheet dates. By contrast, in Hungary orders for industrial and commercial buildings worth a total of EUR9m were cancelled due the clients' lack of access to credit.

Assets and finances

Non-current assets expanded to EUR79.5m (30 September 2007: EUR71.7m) as a result of the large-scale investment programme implemented in 2007 and 2008. Current assets grew to EUR49.4m from EUR46.5m in the comparative period, due to the increase in revenue. Total assets climbed by 10% over the first three quarters, to stand at EUR130.5m (30 September 2007: EUR118.5m).

Borrowings to finance expansion rose from EUR67.9m to EUR78.3m, while equity edged up from EUR26.8m to EUR28.4m.

Capital expenditure

Capital expenditure of EUR8.7m 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 EUR10.0m.

Share price performance

There was no escaping the fall-out from the turmoil on financial markets, and our share price slumped to about EUR47.5 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.

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