

publication: 28.02.2011 09:00
source: <http://adhoc.presstext.com/news/1298880000899>
keywords: preliminary result / trading volume / forecast

Adhoc announcement according to article 48d section 1 BörseG

SW Umwelttechnik: Interim company results for SW Umwelttechnik

Extension of our market position in future markets

Klagenfurt (pta/28.02.2011/09:00) - Market: - 11 %, Turnover: + 12 %

Market position in Hungary and Romania further extended

Successful market entry into Bulgaria and Moldova

Positive outlook for EU funded infrastructure projects

For 2010 the listed family company SW Umwelttechnik can report an increase of turnover of 12 % compared to the previous year, which amounts to a turnover of Eur 73.8 m, and this even though construction work in the main markets of Austria, Hungary and Romania has decreased by around 15 % due to the ongoing recession (AT: -4 %; HU: -8 %; RO: -22 %) . The result of this increase of market shares as well as the expected improvement of the market environment and the stabilization of prices in 2011 will be a significant increase in earnings. Additionally the first big export contracts have been successfully completed in Bulgaria and Moldova.

The harsh weather conditions at the beginning of the year led to a weak result in the first quarter, however turnover in the second and third quarter were increased by nearly 20 % compared to the previous year. As the weather conditions again worsened towards the end of the year, the fourth quarter only reflected an increase of 2 % compared to the previous year. For 2010 this amounts to an interim turnover result of Eur 73.8 m, which reflects a 12 % increase of turnover compared to the previous year (Eur 66.2 m).

"Especially in Hungary and Romania, 2010 was one of the hardest years in the history of our company. The economic recovery has not yet been seen in investments made by clients from the industry and trade sector, while the co-financing of EU subsidized infrastructure projects were also delayed because of the budget stabilization measures in Hungary and Romania. As we introduced measures - like saving on fixed costs and concentrating on the water conservation segment - in time, we have been able to develop more positively than the current market trend. For the current year we have already noticed a certain improvement in all markets", says managing director Dr. Bernd Wolschner in regards to the figures presented.

Austria developed well after a difficult start, turnover from April to December was only slightly below the strong business year of 2009. However, we could not catch up on the losses of the first quarter so the turnover for the full year amounts to Eur 15.6 m (2009: Eur 18.7 m), 16 % less than for the previous year.

Hungary showed a strong second and third quarter even though the public sector contracted only few mandates. Bid invitations for municipal projects have increased noticeably since the local elections took place in October 2010 and we expect an increase in orders already for the first quarter of 2011. Turnover amounts to Eur 36.7 m, which reflects an increase of 18 % compared to the previous year (Eur 31 m).

Despite the country's difficult budget situation, we were able to significantly increase turnover in Romania, particularly in the area of EU subsidized infrastructure projects. The strong increase of 33 % amounts to a turnover of Eur 18.1 m (2009: Eur 13.6 m).

The water conservation segment remains the largest segment with Eur 31.6 m (2009: Eur 33.7 m). Turnover from the industry and trade sector is slowly recovering and amounts to Eur 27.8 m which shows an increase of 23 % compared to the previous year (Eur 22.6 m). Turnover from the project engineering segment has significantly increased by 44 % and now amounts to Eur 14.4 m (2009: Eur 10 m).

Despite the debasement of sales prices resulting from the market downturn in all markets, we were able to hold our EBITDA at +Eur 6.6 m (2009: +Eur 7.3 m) and EBIT at +Eur 1.2 m (2009: +Eur 1.4 m). The fair value assessment result of financial properties was below last year's value (Eur 2.9 m) and amounted to Eur 1.9 m. Exchange rate losses resulting from the devaluation of the Hungarian and Romanian currencies affect the financial result by -Eur 0.7 m (2009: -Eur 1.5 m). This reflects a slight improvement of the profit or loss on ordinary activities of -Eur 2.3 m (2009: -Eur 2.9 m).

Development of earnings in the fourth quarter

Turnover in the fourth quarter reflects an increase of +2 % and so amounts to Eur 19.6 m (2009: Eur 19.2 m). This is worse than expected, especially for Hungary, and is due to the fact that the tendered sewage projects of the Hungarian government were only awarded at the end of 2010; which means a positive effect for SW only in the first half-year of 2011. Additionally the early onset of winter meant that ongoing projects were delayed. All this results in an operative result (without fair value assessment properties) of the EBITDA of Eur 1.3 m (2009: Eur 2.4 m) and the EBIT of Eur 0.3 m (2009: Eur 0.9 m).

Volume of orders

The volume of orders amounts to Eur 27.7 m (2009: Eur 32.8 m) which is 15 % less compared to the previous year. This is partly due to the delayed awarding of sewer projects in Hungary and partly due to the expected further decrease of orders from the industry and trade segment in Romania. From December on we have seen an increase in orders, this trend will continue in 2011 and confirm the forecast of the company.

Employees

We have been able to reduce personnel costs (incl. leasing workers) by a further 4 % compared to the previous year while at the same time increasing output. The average number of employees of 628 (2009: 735 employees) has been disproportionately reduced by 15 %.

Investments

Investments in 2010 amounted to Eur 2.2 m and mainly covered the adjustment of our product portfolio to the changed market conditions. Further investments into expanding have been temporarily deferred in favour of improving liquidity.

Outlook

We expect our main markets to develop at noticeably different rates and still assume limited visibility.

In Austria we expect on the one hand a slight decrease in the water conservation segment as the municipalities face financing difficulties. On the other hand, an increase has been noted in the tendency to invest by industry and trade clients. By having introduced further new products we expect a notable increase in turnover for our company. In Hungary we predict a significant increase in turnover for the water conservation and project engineering segments due to the increased bid invitations of EU funded projects. Consignments to industry and trade clients will see only a slight increase; from 2012 on we expect this segment to slowly return to normal market conditions. In Romania we have already noted an increase in EU subsidized projects being assigned and carried out because of the state finances having been stabilized. This trend confirms our 2010 move towards production facilities that serve this segment. Investments in the area of industry and trade are expected to decrease further in 2011 and only start increasing again from 2012/2013 onwards.

As we have already managed to extend our market position and can note an economic pick-up in our important market segments, we expect a slight increase in turnover for 2011, but in particular a significant increase in earnings. Our long-term strategy of being one of the top 3 players in the markets we work in and using sustainable opportunities for growth in CEE countries still proves successful even in these economically difficult times. Additionally SW Umwelttechnik will be able to profit disproportionately from the economic upswing due to the investments we made into modern plants.

Preliminary not audited figures:

In Eur m	2010	2009
Turnover	73.8	66.2
EBIT	1.2	1.4
EBITDA	6.6	7.3

(P)LOA	-2.3	-2.9
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stock exchanges: official trade in Vienna



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