crisis: the opportunity

Interim report on the first half of 2009

SW Umwelttechnik
STOISER & WOLSCHNER AG

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. Vienna listed SW Umwelttechnik has been quick in responding to the recession which is forecast to last for 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. We have shifted our focus towards the local government investment market, as the stimulus packages announced in all the countries where SW Umwelttechnik operates point to revenue growth in this area.

We have 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 us to maintain liquidity and resulted in an improvement in our cost base that is already being felt. Fixed staff costs have come down by 1.8 million (m) year on year, and other operating expenses by € 3.7m.

Demand for industrial and commercial buildings is set to remain depressed in all of the markets served by SW Umwelttechnik, and the ground lost in this area of business is unlikely to be fully made up by increased local government investment in environmental and transport infrastructure. The stimulus packages in Hungary and Romania will not kick in until late 2009 and 2010, respectively. Implementation of the infrastructure projects in the pipeline will boost the construction industry in all our markets, and SW Umwelttechnik should be one of the main beneficiaries.

Dear shareholders, business partners and employees,

We are currently facing a highly testing trading environment. The sharp downturn in growth in the CSE economies has resulted in big shifts in our markets. We have moved fast to respond to these changes and adjusted our strategy accordingly, leading to savings in fixed costs that are already feeding through. We have also postponed our expansion plans in order to conserve liquidity, and have embarked on a comprehensive three-year consolidation programme. Changed economic conditions have called not just for operational adjustments but also for a strategic rethink. However our existing strategic alignment has largely been vindicated and will remain in place. In particular, the division into three product sectors (Infrastructure, Water Conservation and Engineering) permits wide diversification, safeguarding us against unpredictable market trends.

We serve two very different market segments – local government investment, and industrial and commercial building projects. Public sector investment spending is seen growing until 2012, if not longer. The improvement should be particularly apparent in Hungary, which pruned state investment savagely before the IMF stepped in, but is now again capable of cofinancing EU-backed projects with support from the IMF and the ECB. In Romania demand for environmental solutions should be consistently high for a long time to come, and here too, we expect assistance from the IMF and the ECB to free up funding, which has so far been slow to materialise.

Our industrial and commercial market mainly consists of precast structural elements for shopping centres and factory buildings. We are braced for steep declines in revenue from this source throughout the CSE region in 2009 and 2010. This market has shrunk by 80 % in Hungary and by 50 % in Romania so far this year, and is not expected to pick up until 2011. In Hungary we did particularly well from investment by industrial and commercial clients in the past, and we were heavily impacted by the onset of recession in the summer of 2008. However demand in Romania is much healthier, and a recovery is already on the cards for 2010, meaning that revenue in this area could return to pre-recession levels by 2011. We have realigned the whole company to this changed market situation, on both the sales and the production sides.

We expect the availability of finance for industrial and commercial investment to start improving in 2013, and local government spending to begin to tail off at the same time. Thanks to our recent heavy investment in modern production facilities we are capable of adapting to these capacity swings and rebalancing our product range, and will be well placed to make the most of a future economic upturn.

Klagenfurt, 27 August 2009

Bernd Wolschner

Klaus Einfalt

OPERATIONAL REVIEW

ECONOMIC CLIMATE

Since mid-2008 the Hungarian economy has been in the throws of a deep recession from which no sector has been spared. The recession is expected to continue into 2010, albeit in a milder form. The forint has been relatively volatile in the first half of this year, but now seems to have found a measure of support at around 270 to the euro. It is forecast to go sideways at this level during the second half.

In Romania, too, the lurching halt to economic growth has been far more violent than foreseen. The trading environment has deteriorated, with private investment drying up and infrastructure projects delayed. Exchange rate movements have been similar to those of other currencies in the region. The outlook for the second half is clouded by some upside risks as Romania has been missing its fiscal targets under the IMF programme.

The economic crisis reached Austria relatively late, but here, too, there is no mistaking the effects. Activity is currently bottoming out, but Austria is likely to remain in the doldrums somewhat longer than other West European economies because of the loss of its CSE growth engine.

Promised infrastructure projects will give a strong stimulus to the construction sector in all our markets, and will be particularly helpful to SW Umwelttechnik.

REVENUE AND EARNINGS

First-half revenue slid by 48 % to 26.8m, from € 51.3m in the like period of 2008. While H1 2008 was a period of outstanding performance this year’s figure also represented a 30 % decline compared to the average for the past few years. With public money coming through very slowly in Hungary and Romania, other areas of business were unable to plug the gap left by the collapse of demand for industrial and commercial buildings.

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 € 3.5m (H1 2008: € +2.4m – the first positive figure in the Company’s history). EBITDA was also marginally negative at € -0.6m (H1 2008: € +5.2m). Thanks to the restructuring programmes, in the second quarter alone EBITDA was positive by € 1.7m, and EBIT by € 0.3m, 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 € 2.4m from 4.4m in the first quarter (H1 2008: € 0.7m); the H1 figure includes € 1.3m in noncash accounting losses.

These developments led to a loss on ordinary activities of € 6.3m, compared to a profit of 1.7m in the like period of 2008. The second quarter brought a profit on ordinary activities (POA) of € 2.5m – down from the € 5.4m posted in Q2 2008 but well up on the quarterly results between 2005 and 2007.

Revenue, 1996–2008 in EUR m

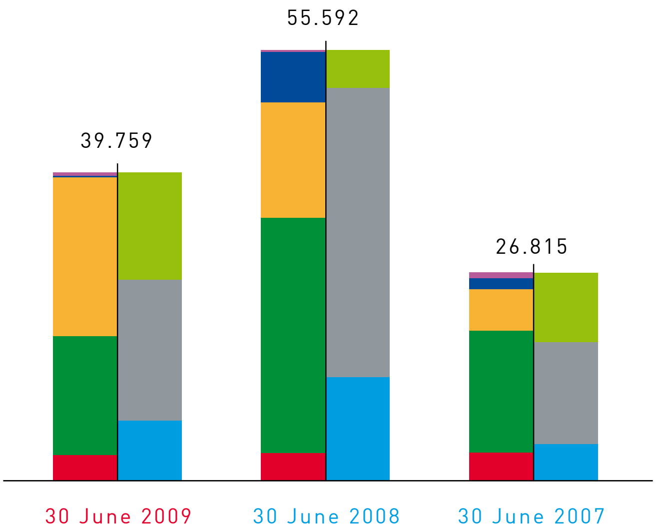
Austria Hungary Romania Slovakia Other

ORDER BACKLOG

Order backlog stood at a satisfactory € 39.3m as at 30 June 2009. This was 29 % down year on year (H1 2008: € 55.6m), but when the latter figure is adjusted for € 13m in subsequent contract cancellations the difference falls to 7 %. Order books remain well above the € 26.8m recorded in 2007.

Delays in funding from the Romanian government mean that order backlog cannot be worked off until the second half of this year; our engineering segment has been particularly hard hit.

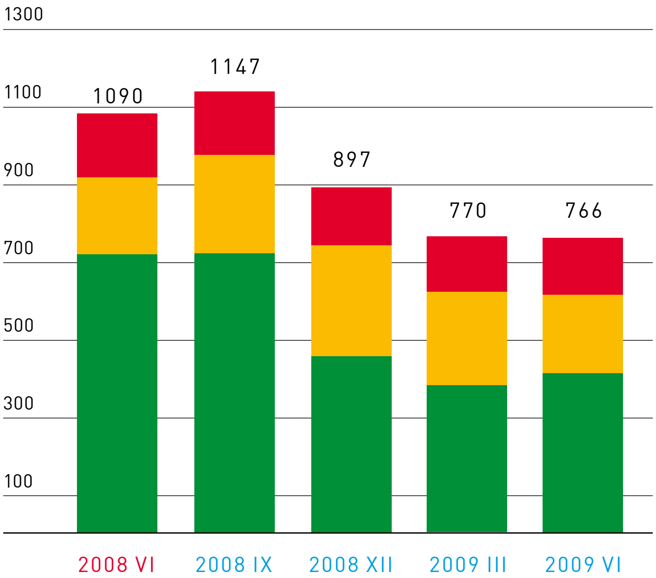
Order backlog in EUR m



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 our target. The difference is due to the timing of the onset of recession in the countries concerned and of the res-ultant workforce downsizing. In the longer run the personnel adjustments will result in annual savings of about € 5m in fixed costs.

Employees



Head count (including agency workers) in Hungary is currently 43 % down year on year at 414 (30 June 2008: 723); the staff cuts were carried out in the fourth quarter of 2008. In Romania stronger capacity utilisation up to the end of last year meant that workforce reductions did not occur until the first and second quarters of 2009, and the number of employees is now 30 % down on year end 2008, at 203. Our Austrian head count of 149 as at 30 June 2009 was 11 % down year on year.

Austria Hungary Romania Slovakia Other Engineering Infrastructure Water Conservation

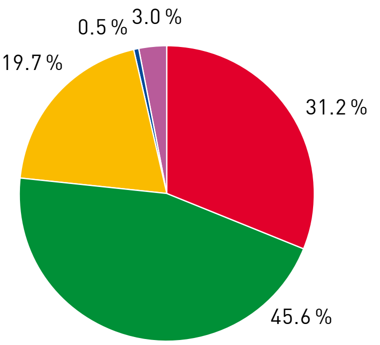
SEGMENTAL REPORT

The revenue contributions of the Group's business sectors reflect the dramatic shift away from industrial and commercial building contracts in the Infrastructure sector and towards the Water Conservation sector's local government contracts.

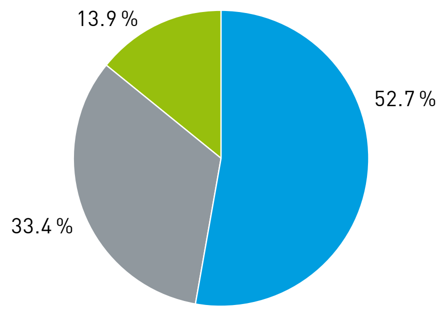
The Water Conservation sector returned revenue of € 14.1m or 53 % of the total (H1 2008: 32 %) – 15 % down year on year due to delays in Hungarian municipal project commencements. The Infrastructure sector, which had recorded strong growth for some years, generated only € 9.0m in revenue for a 33 % share of the total, compared to a € 25.4 (50 %) contribution in the first half of 2008. The Engineering sector posted revenue of only € 3.7m or 14 % of the total (H1 2008: € 9.6m), but the outlook for the year as a whole is highly positive due to good order intake.

Hungary remained the strongest geographical market despite a 61 % slump in revenue to € 12.2m (H1 2008: € 31.0m); its revenue contribution contracted to 46 % (H1 2008: 61 %). Revenue generated in Austria held almost steady, increasing its share of total revenue to 31 %, while the contribution of the Romanian market also rose, to 20 % (H1 2008: 17 %). Romanian revenue fell by 41 % year on year to € 5.3m, due to delayed local government contract starts.

Revenue by geographical markets



Revenue by business sectors



Austria | Hungary | Romania | Slovakia | Other | Engineering | Infrastructure | Water Conservation

ASSETS AND FINANCES

Non-current assets contracted to € 71.5m (30 June 2008: € 80.2m), mainly as a result of exchange losses. Current assets were slashed from € 48.1m to € 33.2m by action to run down inventories and tight receivables management. As a result total assets were diminished to € 107.1m (30 June 2008: € 129.8m).

Equity fell heavily year on year, to stand at € 12.5m (30 June 2008: € 31.8m). 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 € 10m in undisclosed reserves in the form of property surplus to operational requirements, equity rises to € 28.6m, and the equity ratio to 23.2 %.

Borrowings climbed from € 78.6m to € 80.3m, largely reflecting seasonal factors in the first quarter. We are currently evaluating state credit guarantees and other means of strengthening our equity which are feasible in the medium term.

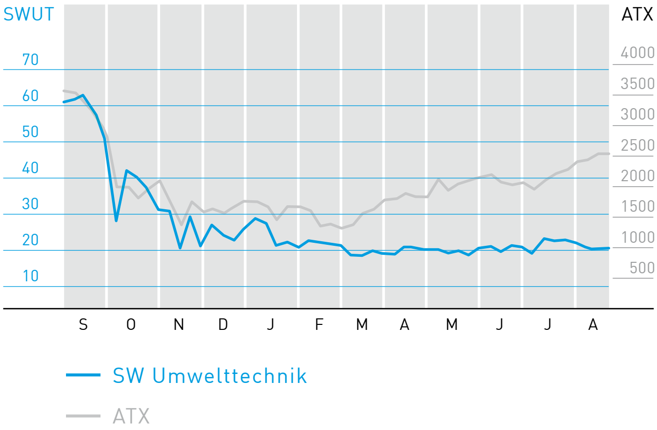
INVESTMENT

In line with our revised strategy investments in expansion have been put on hold, and preference given to consolidating our finances and maintaining liquidity. During the first half of 2009 only minor investments, totalling € 1.4m, were made in extending the product range. Investment spending of € 3.0m is planned for the year as a whole.

SHARE PRICE PERFORMANCE

Since November 2008 our share price has held steady at around € 20. Our focus on CSE, infrastructure and environmental protection makes SW Umwelttechnik (SWUT) an attractive sustainable investment.

Share price



OUTLOOK

SW Umwelttechnik is basing its strategy on the scenario outlined below – one of a number developed for 2009 and 2010.

We see demand for industrial and commercial buildings remaining weak throughout CSE. Growth in the local government investment market (environmental and transport infrastructure) can only make up for 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.

↗ In Hungary the industrial and commercial building market will 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.

↗ 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.

↗ 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 Company should remain roughly stable in the second half.

RISK REPORT

SIGNIFICANT RISKS IN THE SECOND HALF OF 2009

Due to its expansion in Central and Southeastern Europe, and the internationalisation of its operations, SW Umwelttechnik is confronted with a number of factors that are part of the ordinary course of business but may nevertheless constitute risks. The use of modern risk management methods makes it possible to quantify positive and negative deviations of performance from corporate targets and performance indicators. Identifying these differences in good time so as to exploit the business opportunities they present is one of the central tasks of the Management Board and all of the Group's senior executives.

Since the second half of 2008 management has regarded the downturn in economic activity in virtually all of the Company's markets, combined with the failure of the industry as a whole to adjust capacity sufficiently to the changed demand situation, as well as threats to the Company's access to finance and its liquidity as significant risks. In order to proactively address the risks presented by the current, changed market environment, SW Umwelttechnik has moved quickly to adjust the size of the workforce and switch as far as possible to products suited to the local government market.

SW Umwelttechnik has reduced its exposure to financial risks by renewing its credit lines and renegotiating its borrowing terms. The Company's financial strength has also been enhanced by postponing planned expansion investments and by non-payment of a dividend for the 2008 financial year.

In the second half of the year management will also be keeping a close watch on risks arising from uncertainties about the future level of activity in the construction sector and related downward pressure on prices, as well as negative exchange rate effects. These and other risks are constantly monitored and actively managed where necessary, through the Group-wide risk management system.

Due to the economic environment created by the global financial crisis, SW Umwelttechnik will continue to focus on liquidity conservation and maintaining financial stability during the second half of the year. We will therefore be looking to maximise free cash flow, reduce net debt, cut costs, trim working capital and keep capital expenditure to a minimum.

Apart from the operational challenges, the main threat to the investments in Hungary and Romania is foreign exchange risk as a result of euro-based financing. Every 5 % movement in the forint and leu exchange rates results in overall changes in Group equity of € 3.0m and € 1.3m, respectively. Since mid-2008 there have been short-term swings of over 30 % in the forint and leu exchange rates. Moreover, most of the € 50m in investments in these markets were made at a time of relatively strong local currencies, meaning that devaluation has had a disproportionate – albeit noncash – effect. The decision to opt for euro denominated financing was made in the light of the interest rate spreads (which affect cash flow) and the expectation that these currencies will return to normal levels in the medium term.

The Group's risk management system is discussed in detail in the Annual Report 2008 (see pp 57–62).

CONSOLIDATED INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS

BILANCE SHEET

ASSETS

	30 June 2009	30 June 2009 inc. intrinsic value	31 Dec. 2008
	EUR '000	EUR '000	EUR '000
Non-current assets			
Non-current assets	71,485	87,538	75,178
Other non-current assets	2,416	2,416	2,486
	73,901	89,954	77,664
Current assets	33,157	33,157	39,715
	107,058	123,111	117,379

EQUITY AND LIABILITIES

	30 June 2009	30 June 2009 inc. intrinsic value	31 Dec. 2008
	EUR '000	EUR '000	EUR '000
Equity	12,507	28,560	20,459
Non-current liabilities	49,471	49,471	51,762
Current liabilities	45,080	45,080	45,158
	107,058	123,111	117,379

INCOME STATEMENT

	Q2 2009	Q2 2008	Q2 2007	H1 2009	H1 2008	H1 2007
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	18,423	32,828	25,499	26,777	51,260	41,459
Total output	18,494	34,355	26,273	26,574	51,361	42,445
Gross profit	9,208	16,177	11,885	13,027	24,287	19,124
Staff costs	-3,934	-5,048	-4,783	-7,498	-9,302	-8,565
Depreciation and amortisation expense, and impairment	-1,583	-1,609	-1,242	-2,900	-2,809	-2,386
Other operating expenses	-3,648	-5,660	-4,829	-6,421	-10,086	-8,652
Other operating income	112	129	50	245	311	235
EBIT	155	3,989	1,081	-3,547	2,401	-244
EBITDA	1,738	5,598	2,323	-647	5,210	2,142
Interest expense	-600	-983	-635	-1,412	-1,911	-1,176
Exchange gains/losses	3,042	2,508	1,312	-1,345	1,236	1,761
Net finance income/costs	2,384	1,454	677	-2,784	-723	600
POA	2,539	5,443	1,758	-6,331	1,678	356

CONSOLIDATED STATEMENT OF CASH-FLOWS

	01.01.–30.06. 2009	01.01.–30.06. 2008
	EUR '000	EUR '000
Profit on ordinary activities	-6,331	1,678
Depreciation and amortisation	2,981	2,809
Losses/ gains on disposal of non-current assets	-15	382
Net interest paid/ received	1,412	1,911
Interest paid	-1,597	-2,018
Interest received	185	157
Change in long-term provisions	-224	74
Income taxes paid	23	-109
Change in foreign exchange translation	1,172	-1,583
Operatin profit before working capital changes	-2,394	3,301
Change in inventories and construction construction	2,674	1,317
Change in receivables and other assets	1,918	-6,652
Change in liabilities	-4,041	2,362
Change in short-term provisions and accrued liabilities	-396	-275
Net cash from operating activities	-2,239	53
Deconsolidation of subsidaries	0	-4
Acquisition of property, plant, equipment and intangible non-current assets	-1,364	-5,947
Acquisition of financial investments	-85	5
Proceeds from sale of non current assets	56	317
Net cash used in investing activities	-1,393	-5,629
Dividend paid	0	-198
Purchase own shares	0	-267
Purchase of minority interests	0	-17
Change in long-term borrowings	-2,040	10,125
Change in short-term borrowings	4,761	-7,067
Net cash from financeing activities	2,721	2,576
Net change in cash and cash equivalents	-911	-3,000
Cash and cash equivalents at beginning of year	2,774	3,121
Net change in cash and cash equivalents	-911	-3,000
Foreign exchange differences	-90	176
Cash and cash equivalents at end of year	1,773	297

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Share capital	Capital reserve	Treasury shares	Translation reserve	Retained earnings	Minority interests	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 1 January 2008	4,798	5,956	0	-1,528	14,649	3,336	27,211
Profit for the period/ minority interests	0	0	0	0	-3,646	55	-3,591
Foreign currency translation	0	0	0	-2,565	0	-41	-2,606
Total recognised income and expenses for the period	0	0	0	-2.565	-3.646	14	-6.197
Change in minority interests	0	0	0	0	602	-627	-25
Dividend paid	0	0	0	0	-198	0	-198
Purchase of own shares	0	0	-332	0			-332
At 31 December 2008	4,798	5,956	-332	-4,093	11,407	2,723	20,459
At 1 January 2009	4,798	5,956	-332	-4,093	11,407	2,723	20,459
Profit for the period/ minority interests	0	0	0	0	-6,214	-137	-6,351
Foreign currency translation	0	0	0	-1,568	0	-33	-1,601
Total recognised income and expenses for the period	0	0	0	-1,568	-6,214	-170	-7,952
Change in minority interests	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	0	0	0
Purchase of own shares	0	0	0	0	0	0	0
At 30 June 2009	4,798	5,956	-332	-5,661	5,193	2,553	12,507

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements for the period ended 30 June 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU.

In accordance with IAS 34, this abridged interim report does not contain all the information and disclosures that are mandatory for an annual report, and should therefore be read in conjunction with the consolidated financial statements of SW Umwelttechnik Stoiser & Wolschner AG for the year ended 31 December 2008.

SCOPE OF CONSOLIDATION

There have been no changes in the scope of consolidation since 31 December 2008.

ACCOUNTING POLICIES

The same accounting policies applied in the year ended 31 December 2008 continued to be used during the period under review.

CURRENCY TRANSLATION

The Group's functional currency is the euro, and those of the foreign subsidiaries are the respective local currencies.

The financial statements of foreign subsidiaries and joint ventures have hence been translated as follows, using the modified closing rate method, in accordance with IAS 21:

- Assets and liabilities: closing rate at the balance sheet date;
- Income and expenses: average rate for the year;
- Equity items: exchange rate at the date of the transaction.

The following exchange rates were applied:

Currency		Rate at balance sheet date		Average rate	
		30 Jun. 2009	30 Jun. 2008	H1 2009	H1 2008
HUF / EUR	Hungarian forint	272.4	237.0	290.4	252.1
RON / EUR	Romanian leu	4.21	3.64	4.24	3.69

Currency		Rate at balance sheet date		Average rate	
		31. Dec. 2008	31. Dec. 2007	2008	2007
HUF / EUR	Hungarian forint	264.8	253.7	250.9	251.4
RON / EUR	Romanian leu	4.02	3.61	3.70	3.34

Exchange losses of EUR 1,345,000 are recognised in the interim income statement (H1 2008: exchange gains of EUR 1,236,000).

SEGMENTAL ANALYSIS

Analysis of revenue by primary segments:

	H1 2009		H1 2008		FY 2008	
	EUR '000	%	EUR '000	%	EUR '000	%
Water Conservation	14,117	52.7	16,287	31.8	35,066	32.0
Infrastructure	8,952	33.4	25,413	49.6	58,361	53.1
Engineering	3,708	13.9	9,560	18.6	16,365	14.9
	26,777		51,260		109,792	

Analysis of revenue by secondary segments:

	H1 2009		H1 2008		FY 2008	
	EUR '000	%	EUR '000	%	EUR '000	%
Austria	8,355	31.2	9,073	17.7	20,823	19.0
Hungary	12,219	45.6	31,041	60.5	60,909	55.5
Romania	5,287	19.7	8,921	17.4	20,919	19.0
Slovakia	127	0.5	969	1.9	4,122	3.8
Other	789	3.0	1,256	2.5	3,019	2.7
	26,777		51,260		109,792	

EMPLOYEES

	H1 2009			H1 2008			FY 2008		
	White-collar workers	Blue-collar workers	Total	White-collar workers	Blue-collar workers	Total	White-collar workers	Blue-collar workers	Total
Austria	57	81	138	60	87	147	61	90	151
Hungary	158	220	378	183	337	520	186	336	522
Romania	54	182	236	41	146	187	46	177	223
	269	483	752	284	570	854	293	603	896

DIVIDEND
The Annual General Meeting held on 22 May resolved to refrain from payment of a dividend for the 2008 financial year.

BUY-BACK SCHEME
None of the Company's own shares were repurchased in 2009.

SEASONAL FACTORS
Due to variations in weather conditions there are seasonal fluctuations in product deliveries and project completions, as construction activity is limited during the winter months. Because of this, first-quarter revenue only accounts for some 10–15 % of the annual total. The second and third quarters are normally stronger.

RELATED PARTY RELATIONSHIPS WITH ENTERPRISES AND INDIVIDUALS
There were no material differences in business relationships with related parties as compared to those disclosed in the 2008 annual report.

FINANCIAL INSTRUMENTS
No financial instruments beyond those disclosed in the 2008 annual report were used during the period under review.

POST BALANCE SHEET DATE EVENTS
There were no post balance sheet date events affecting the present interim financial statements or otherwise of material importance.

OTHER COMMITMENTS, LITIGATION AND CONTINGENT LIABILITIES
There were no material differences in other obligations, litigation or contingent liabilities as compared to those disclosed in the consolidated annual financial statements for the year ended 31 December 2008.

DECLARATION BY THE MANAGEMENT BOARD
We confirm to the best of our knowledge that the condensed, interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the [condensed] interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed. This half-yearly financial report has not been audited or reviewed.

Klagenfurt, 27 August 2009

Bernd Hans Wolschner	Klaus Einfalt
Member of the Management Board	Member of the Management Board

FINANCIAL CALENDAR

26 Nov. 2009 Announcement of results for the third quarter

SHAREHOLDER INFORMATION

Security ID number:	AT 0000080820
Vienna Stock Exchange symbol:	SWUT
Bloomberg:	SWUT AV
Reuters:	SWUT.VI
Datastream:	O:SWU
Index:	WBI
Listing:	Standard Market Continous/ Betreute Aktion, Wiener Börse

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.

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SW Umwelttechnik
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