crisis:

he opportunity

Report on the third quarter of 2009

SW Umwelttechnik

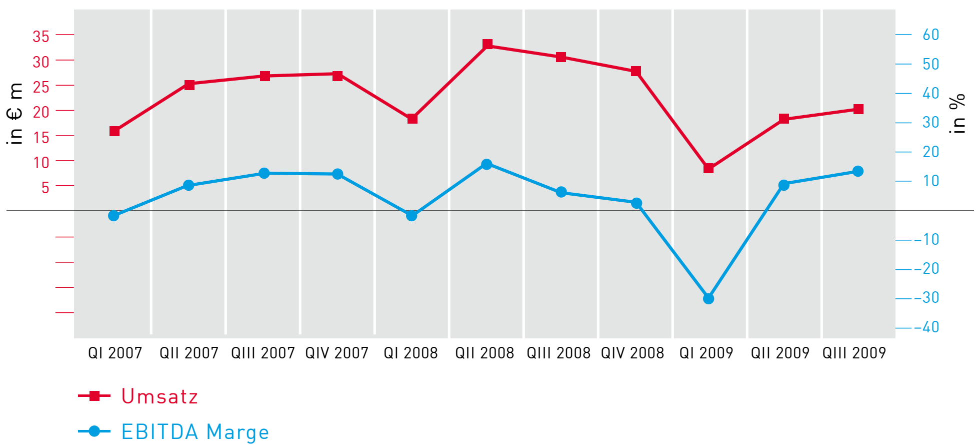
STOISER & WOLSCHNER AG

↗ Sharp year-on-year increase in Q3 earnings
↗ Q3 EBITDA margin back to normal
↗ Restructuring shows positive effects

SW Umwelttechnik — the Vienna-listed family company — beat all y-y earnings figures in the third quarter, despite a 34% decline in revenue. The EBITDA margin was back to normal at 13%, demonstrating the effectiveness of the action taken to adjust to the current harsh trading environment.

The decline in revenue has eased in the course of the year (Q1: 55%; Q2 44%; Q3: 34%) and earnings have steadily improved. "During the third quarter demand began bottoming out at a low level in our key Hungarian and Romanian markets, both of which have been particularly hard hit by the recession," said SW Umwelttechnik CEO Bernd Wolschner. The restructuring programmes rapidly launched in response to changed market conditions are now showing positive effects. The company has taken tough action to cut fixed costs and strengthened its focus on winning local government business. SW Umwelttechnik has adapted to current conditions, and anticipates further improvements in earnings despite lower revenue.

quarterly changes of the revenue and the EBITDA margin



OPERATIONAL REVIEW

ECONOMIC CLIMATE

The economic situation in Central and Southeastern Europe (CSE) has now largely stabilised following a fierce contraction, but a significant pick-up in economic growth is not expected until mid-2010. The continuing need for infrastructure modernisation in all the CSE countries should partly compensate SW Umwelttechnik's turnover through the forecast sluggish recovery.

Thanks to the government's rigorous austerity programme and support from the IMF, the Hungarian economy is set to perform better than expected in 2010. The swings in the forint exchange rate have returned to a predictable range. Municipal contract awards are starting to come through, and this should be reflected in deliveries from next year on.

Due to the dismissal of the government and the upcoming presidential election in November, the political situation in Romania remains fraught. Despite the current upheavals the minority government is attempting to push through a budget for 2010. Without this Romania will not be able to draw down the IMF standby loan as planned. Public sector contract awards – including those for water conservation projects – are affected by these delays. Once a new government has been formed there should be a marked improvement in all the market segments we serve, and both local government, and industrial and commercial construction investment is forecast to rebound strongly in 2010.

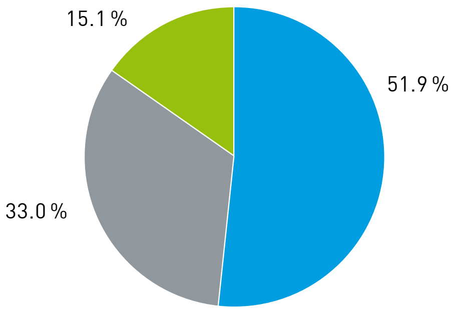
Due to government stimulus measures our markets in Austria have so far survived the economic crisis relatively unscathed, and business in the Water Conservation sector has held at about last year's level.

TRADING PERFORMANCE AND EARNINGS

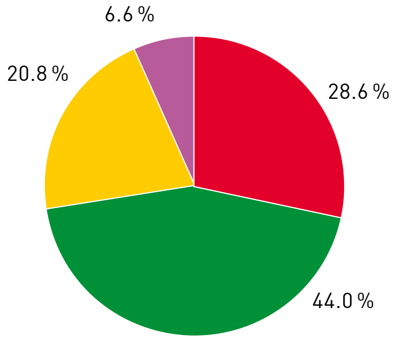
Revenue for the first three quarters was 42.5% down at €47.0m (Q1–Q3 2008: €81.7m). Revenue slumped by 55% in Hungary and also fell heavily in Romania; only in Austria was it largely stable. Despite the massive decline in revenue, cumulative EBITDA for the first three quarters was positive by €2.0m as a result of the cost reduction programmes (Q1–Q3 2008: €7.1m). EBIT for the first nine months of the year was negative by €2.5m (Q1–Q3 2008: + €2.8m).

Results for the third quarter alone reflect the recent improvement in the company's fortunes. Revenue was down by 34% year on year at €20.2m (Q3 2008: €30.5m). Due to the success of recent restructuring measures EBIT jumped to €1.1m in the third quarter (Q3 2008: €0.4m), and EBITDA advanced to €2.6m (Q3 2008: €1.9m). A striking feature of quarterly performance was the fact that the EBITDA margin for the period returned to the level recorded in recent years, at 13%. With net finance costs of only €0.6m due to reduced interest expense, the Company returned a third-quarter profit on ordinary activities (POA) of €0.5m, compared to a loss of €1.9m for the like period in 2008.

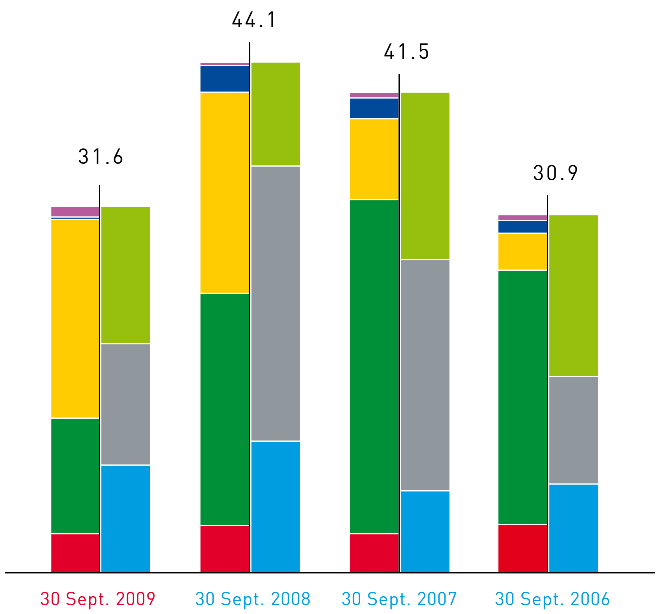
Revenue by business segments Q1–Q3



Revenue by geographical markets Q1–Q3



Order backlog in Mio. €



Austria Hungary Romania Slovakia Other Water Conservation Engineering Infrastructure

SEGMENTAL REPORT

There was a marked shift in the segmental composition of revenue in favour of the Water Conservation sector over the first three quarters, and it accounted for €24.4m (Q1–Q3 2008: €23.8m) or 52% of the total. The Infrastructure sector was impacted by the plunge in sales to industrial and commercial clients — which was especially severe in Hungary but also affected Romania — and its revenue contribution slid to €15.5m (Q1–Q3 2008: €46.4m) or 33% of the total. The anticipated pick-up in municipal environmental investment has taken longer than expected to materialize, especially in Romania, where it has been held back by funding delays. However the Engineering sector's contribution held steady at 15%, although it dropped to €7.1m in absolute terms (Q1–Q3 2008: €11.5m).

Despite the fact that Hungarian sales more than halved year on year, to €20.7m (Q1–Q3 2008: €45.5m), this remained our main market, generating 44% (Q1–Q3 2008: 56%) of total revenue. Thanks to the relatively stable trading environment in Austria, this market's revenue contribution rose from 19% to 29%. Romania's revenue share edged up to 21% from 18% in the comparative period. Slovakia made up 2% (Q1–Q3 2008: 4%) and other countries such as Slovenia, Italy and Germany 5% (Q1–Q3 2008: 3%) of overall revenue.

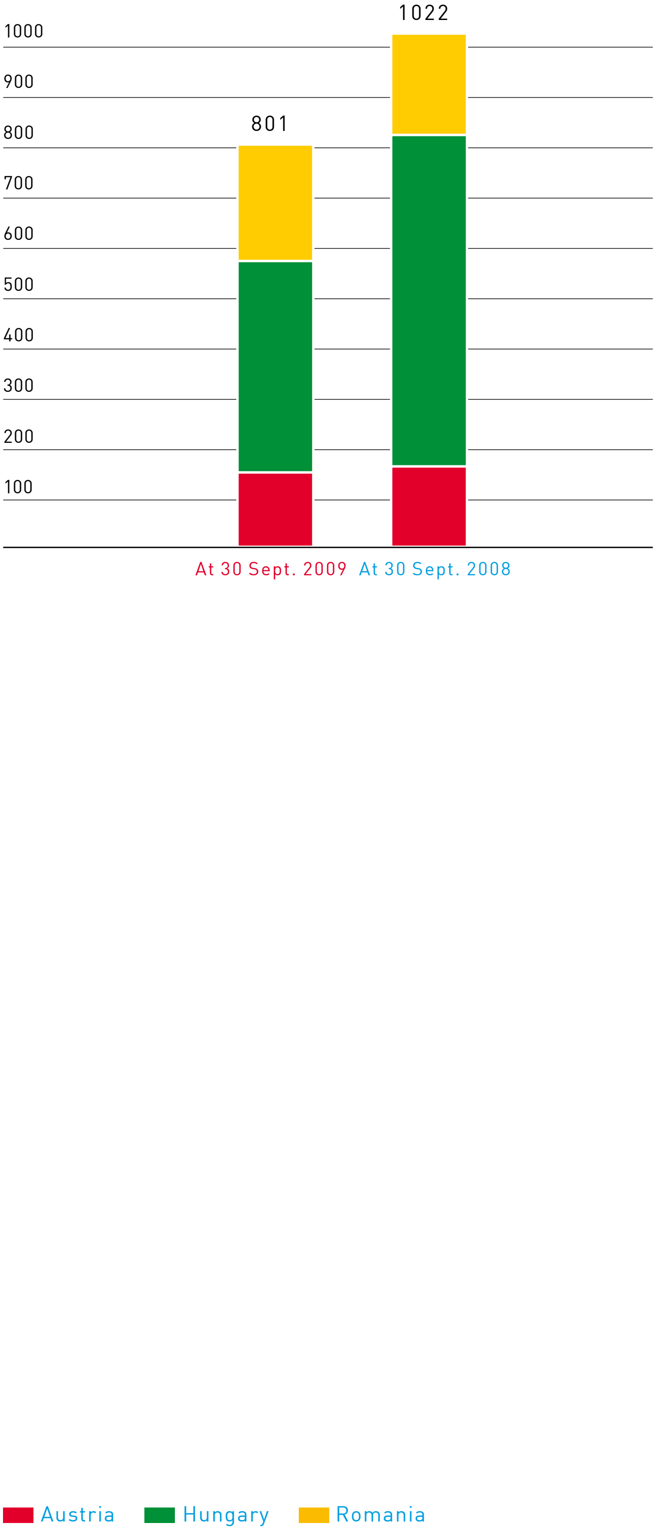
ORDER BACKLOG

The changed market environment is apparent in the 28% year-on-year fall in order books. Order backlog was €31.6m as at 30 September 2009 (end of Q3 2008: €44.1m), reflecting the drop in orders from industrial and commercial clients. Local authority projects, which are experiencing particularly long delays in Romania, failed to make up the shortfall. Due to the market shift towards Water Conservation the percentage of the short term orders rose as expected.

EMPLOYEES

Workforce downsizing, which we believe has now been completed, has had a major impact on head count. Average head count (including apprentices) at 30 September 2009 was down to 801 from 1,022 a year earlier.

Head count (inc. apprentices)



ASSETS AND FINANCES

Fixed assets as at 30 September 2009 were down to €70.7m (end of Q3 2008: €79.5m) due to exchange rate movements. Current assets shrank from €49.4m to €35.6m over the period, reflecting improved inventory and receivables management, and adjustment to the current market situation. Total assets were €108.7m as at the interim balance sheet date (end of Q3 2008: €130.5m).

The main liabilities category is €79.0m in borrowings, most of which were taken up to fund the investments made in connection with the expansion programme. Ensuring that the Company has access to adequate liquidity during the coming year has already been discussed with the lending banks, and they have confirmed that sufficient credit lines will be available. Total liabilities decreased to €95.4m as at 30 September 2009 from €102.1m a year earlier.

Equity fell to €13.3m at the interim balance sheet date from €20.5m at year end 2008, and the equity ratio slid from 17.4% to 12.2%. In the next annual financial statements it is intended to include the non operating real estate, valuated according the IFRS regulation IAS 40, in the balance. This will increase reported equity by €5m, which would have had the effect of raising the equity ratio according IFRS to 16% as at 30 September 2009.

Recognising the intrinsic value of the invested fixed assets by applying the exchange rates ruling at 31 December 2007, additionally lifts equity to €24.1m and this would result in an equity ratio of about 20%.

Management is currently evaluating other means of increasing liquidity and strengthening the Company's equity base, and is examining the feasibility of another capital increase.

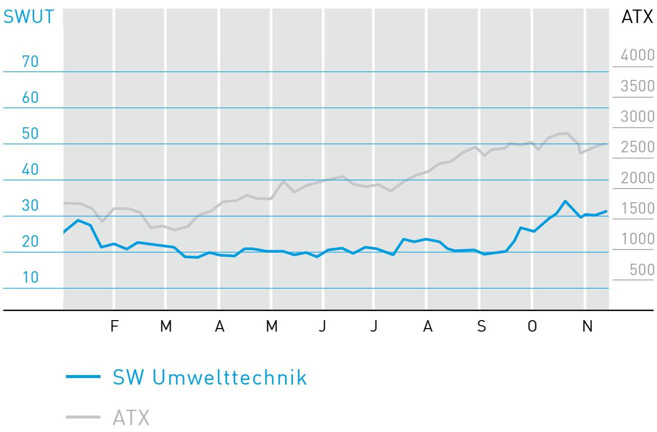
INVESTMENT

We invested €1.8m over the first three quarters of 2009. Most of this spending went on adjusting our product range to altered market conditions. In line with our revised strategy investments in expansion have been put on hold, and preference is being given to consolidating the Company's finances and maintaining liquidity.

SHARE PRICE PERFORMANCE

During the past quarter our share price put in a highly positive performance, and after an extended period of stability at around €20, a gradual rally set in. At present the price is fluctuating around the €27 mark. Our focus on CSE, infrastructure and environmental protection continues to make our share an attractive sustainable investment.

Share price since 1 January 2009



OUTLOOK

It is hard to make reliable predictions about the outlook for our markets because the economic forecasts differ so widely.

Since mid-2009 our markets have been bottoming out at a low level, as shown by recent order intake. They will gain additional momentum from the implementation of the promised stimulus packages which has been held up in Hungary and Romania. We therefore expect revenue to remain on its present trajectory while we see earnings continuing to improve in line with the positive trend in the third quarter.

Although the prospects for next year are brighter, a sustained economic recovery is not expected until 2011. However municipal investment is likely to take off by the summer of 2010.

Our long-term strategy of aiming for top-three positions in the markets we serve and capitalising on the growth opportunities in CSE countries remains in place, and we believe that its wisdom is borne out by current developments. The €60m invested in modern plant and equipment over the past few years means that SW Umwelttechnik is particularly well placed to profit from the anticipated economic upswing in 2011.

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS

	30. Sept. 09	30 Sep. 2009 (inc.IAS 40 + intrinsic value)	31 Dec. 2008
	in EUR '000	in EUR '000	in EUR '000
Non-current assets	73,048	88,827	77,664
Fixed assets	70,665	82,444	75,178
Other non-current assets	2,383	2,383	2,486
Current assets	35,613	35,613	39,715
Total assets	108,661	120,440	117,379

EQUITY AND LIABILITIES

Equity	13,283	24,062	20,459
Non-current liabilities	50,425	51,425	51,762
Current liabilities	44,953	44,953	45,158
Total equity and liabilities	108,661	120,440	117,379

INCOME STATEMENT

	Q3 2009	Q3 2008	Q1–Q3 2009	Q1–Q3 2008
	in EUR '000	in EUR '000	in EUR '000	in EUR '000
1. Revenue	20,212	30,487	46,989	81,747
2. Work performed by the entity and capitalised	48	76	125	238
3. Other operating income	38	198	283	509
4. Changes in work in progress, finished goods and services not yet invoiced	548	473	268	412
5. Materials and external services	–10,237	–16,909	–23,784	–43,983
6. Staff costs	–3,997	–5,611	–11,495	-14,913
7. Depreciation and amortisation expense, and impairment	–1,528	–1,450	–4,428	–4,259
8. Other operating expenses	–4,005	–6,854	–10,426	–16,940
9. EBIT	1,079	410	–2,468	2,811
10. EBITDA	2,607	1,860	1,960	7,070
11. Net finance costs	–550	–2,357	–3,334	–3,080
12. Share of profit of associates	0	0	0	23
13. Profit on ordinary activities	529	–1,947	–5,802	–269
14. Income tax expense	–110	217	-130	545
15. Profit after tax	419	–1,730	–5,932	276
16. Minority interests	–176	19	-39	315
17. Attributable to owners of the parent	243	–1,711	–5,971	591
Earnings per share	EUR 0.37	EUR–2.61	EUR –9.10	EUR 0.90

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 SEPT. 2009

	Q1–Q3 2009	Q1–Q3 2008
	EUR '000	EUR '000
Profit before tax	–5,802	–269
Depreciation and amortisation	4,550	4,259
Losses/gains on disposal of non-current assets	–3	331
Net interest paid/received	1,983	3,147
Interest paid	–2,305	–3,283
Interest received	322	186
Change in long-term provisions	–167	101
Income taxes paid	–47	–182
Changes due to currency translation	1,152	–639
Operating profit before working capital changes	–317	3,651
Change in inventories and construction contracts	971	466
Change in receivables and other assets	1,146	–7,991
Change in liabilities	–2,937	3,387
Change in short-term provisions and gross amount due to customers from contract work	529	–479
Net cash from operating activities	–608	–966
Deconsolidation of subsidiaries	0	–4
Acquisition of property, plant and equipment and intangible non-current assets	–1,824	–8,680
Acquisition of financial investments	–122	–2
Proceeds from sale of non-current assets	66	343
Net cash used in investing activities	–1,880	–8,343
Dividends paid	0	–198
Purchase of own shares	0	–332
Purchase of minority interests	0	–36
Change in long-term borrowings	–1,150	16,473
Change in short-term borrowings	2,563	–9,392
Net cash from financing activities	1,413	6,515
Net change in cash and cash equivalents	–1,075	–2,794
Cash and cash equivalents at beginning of year	2,774	3,121
Net change in cash and cash equivalents	–1,075	–2,794
Exchange differences	–81	78
Cash and cash equivalents at end of year	1,618	405

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPT. 2009

	Share capital	Capital reserve	Shares repurchased	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	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 expense for the period	0	0	0	−2,565	−3,646	14	−6,197
Changes in minority interests	0	0	0	0	602	−627	−25
Dividends	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 31 December 2009	4,798	5,956	−332	−4,093	11,407	2,723	20,459
Profit for the period	0	0	0	0	−5,971	39	−5,932
Foreign currency translation	0	0	0	−1,222	0	−22	−1,244
Total recognised income and expense for the period"	0	0	0	−1,222	−5,971	17	−7,176
Changes in minority interests	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Purchase of own shares	0	0	0	0	0	0	0
At 30 September 2009	4,798	5,956	−332	−5,315	5,436	2,740	13,283

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

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

In accordance with IAS 34, these summary financial statements do 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 accounting policies employed in the year ended 31 December 2008 were applied without change 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 interim balance sheet date		Average rate	
		30 Sept. 2009	30 Sept. 2008	Q3 2009	Q3 2008
HUF / EUR	Hungarian forint	270.4	242.8	283.4	247.2
RON / EUR	Romanian leu	4.22	3.74	4.23	3.66

Currency		Rate at interim balance sheet date		Average rate	
		31. 12. 2008	31. 12. 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 €1,283,000 are recognised in the interim income statement for the first three quarters (Q1–Q3 2008: exchange gains of €155,000).

SEGMENTAL ANALYSIS

Analysis of revenue by primary segments

	Q1–Q3 2009		Q1–Q3 2008		FY 2008	
	EUR '000	%	EUR '000	%	EUR '000	%
Water Conservation	24,386	52	23,781	29	35,066	32
Infrastructure	15,484	33	46,392	57	58,361	53
Engineering	7,119	15	11,574	14	16,365	15
Total	46,989		81,747		109,792	

Analysis of revenue by secondary segments

	Q1–Q3 2009		Q1–Q3 2008		FY 2008	
	EUR '000	%	EUR '000	%	EUR '000	%
Austria	13,427	29	15,244	19	20,823	19
Hungary	20,670	44	45,558	56	60,909	55
Romania	9,767	21	15,069	18	20,919	19
Slovakia	1,138	2	3,370	4	4,122	4
Other	1,987	4	2,506	3	3,019	3
Total	46,989		81,747		109,792	

EMPLOYEES

Average head count

	Q1–Q3 2009			Q1–Q3 2008			FY 2008		
	Salaried	Non-salaried	Total	Salaried	Non-salaried	Total	Salaried	Non-salaried	Total
Austria	58	85	143	61	90	151	61	90	151
Hungary	154	221	375	186	346	532	186	336	522
Romania	50	182	232	42	160	202	46	177	223
Total	262	488	750	289	596	885	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 low levels 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, while the fourth is again marked by limited construction activity.

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 employed 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 hereby confirm that to the best of our knowledge, these summary consolidated interim financial statements have been compiled in accordance with applicable accounting standards and to the maximum extent possible give a true and fair view of the Group's assets, finances and earnings. We also confirm that the interim operational review for the first nine months of the financial year to the maximum extent possible conveys a true and fair view of the most important events of the first nine months of this financial year and their impact on the summary consolidated interim financial statements, of significant risks and uncertainties during the remaining three months of the financial year, and of key related party transactions with entities and individuals where disclosure is required. These summary consolidated interim financial statements have been subjected neither to a complete audit nor to an audit review by an auditor.

Klagenfurt, 26 November 2009

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

FINANCIAL CALENDAR

26 Feb. 2010	Announcement of preliminary results
21 Apr. 2010	Publication of the annual report
14 May 2010	Annual General Meeting
25 May 2010	Ex-dividend date
28 May 2010	Dividend date
26 May 2010	Publication of the report on the first quarter
25 Aug. 2010	Publication of the report on the first half
24 Nov. 2010	Publication of the report on 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 continuous/ auction with market makers, Vienna Stock Exchange

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 products are contributing to infrastructure renewal in CSE.

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SW Umwelttechnik
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