BWT Annual Report 2011

BWT
BEST WATER TECHNOLOGY

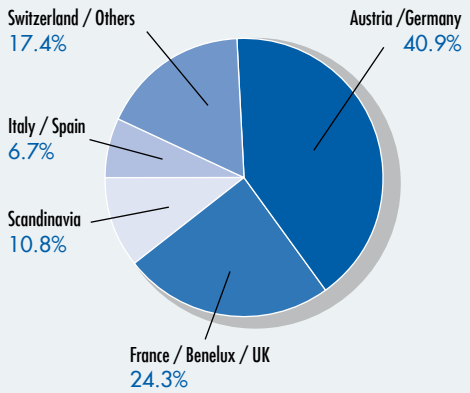
For You and Planet Blue.

Overview		IFRS 2011	IFRS 2010	IFRS 2009
Consolidated group sales	Mio. €	478.9	460.7	400.7
EBITDA	Mio. €	39.1	47.2	45.7
EBIT	Mio. €	21.7	31.5	26.8
Earnings before taxes	Mio. €	19.9	31.2	30.3
Consolidated net earnings	Mio. €	13.8	22.8	23.1
Cash flow from operating activities	Mio. €	26.4	34.3	49.7
Number of shares (31/12)	million	16.8	17.2	17.4
Earnings per share	€	0.80	1.32	1.32
Dividends and bonus per share	€	0.28*	0.40	0.40
Investment in tangible and intangible assets	Mio. €	21.6	14.9	9.7
Equity	Mio. €	162.6	163.9	152.8
Employees as of 31/12	persons	2,689	2,820	2,701

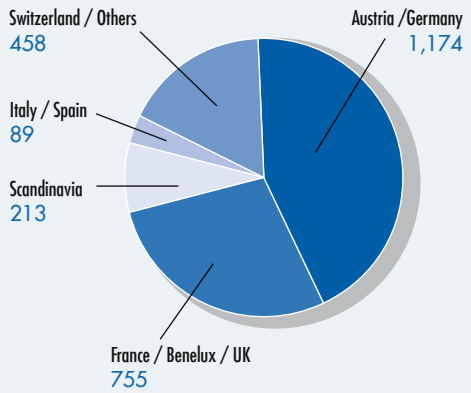
*) Proposal to the AGM **) Spin-off of AST-segment as of end October 2005

Summary of balance sheet	2011		2010	
ASSETS	Mio. €	%	Mio. €	%
Non-current assets	151.5	45.7	146.4	45.6
Current assets	179.7	54.3	174.7	54.4
TOTAL ASSETS	331.3	100.0	321.1	100.0
EQUITY AND LIABILITIES	Mio. €	%	Mio. €	%
Equity	162.6	49.1	163.9	51.0
Non-current liabilities	56.6	17.1	40.8	12.7
Current liabilities	112.1	33.8	116.4	36.3
TOTAL LIABILITIES	331.3	100.0	321.1	100.0

Sales 2011 by business segment (in %)



Employees by business segment as of 31/12/2011

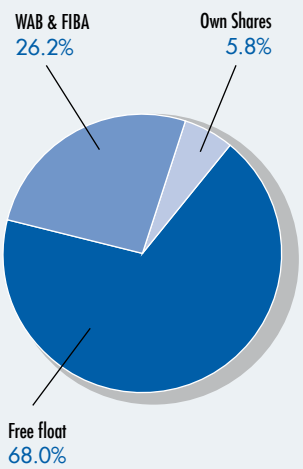


IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
2008	2007	2006	2005**	2004	2003	2002	2001
410.2	397.5	362.0	463.5	488.1	416.0	431.0	419.5
40.2	45.3	40.9	36.8	37.8	28.0	39.7	39.6
29.2	36.3	32.6	27.0	24.9	13.6	24.4	26.1
27.0	35.3	31.8	25.7	22.9	11.4	20.4	21.4
20.6	26.3	22.2	19.0	17.1	7.7	15.2	15.2
28.1	22.5	26.9	26.4	33.9	28.7	31.6	4.3
17.5	17.8	17.8	17.8	17.8	17.8	17.8	17.8
1.16	1.48	1.24	1.06	0.96	0.43	0.85	0.90
0.38	0.38	0.35	0.30	0.27	0.24	0.24	0.22
16.6	13.9	10.2	11.2	10.3	6.3	9.6	14.9
138.2	129.6	109.2	93.3	137.7	124.3	123.4	111.2
2,389	2,354	2,202	2,007	2,780	2,688	2,466	2,511

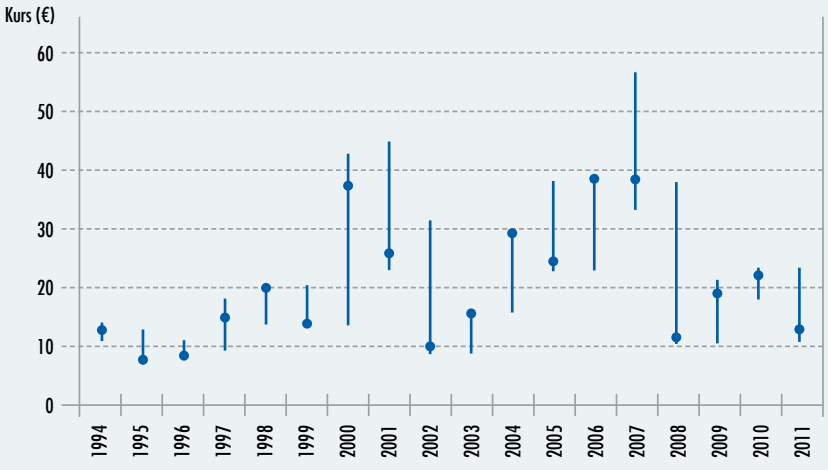
Share price		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
High	€	22.62	23.22	21.84	35.94	53.69	36.63	36.15	27.84	14.84	29.81	42.50
Low	€	10.90	17.97	10.26	10.00	31.54	21.78	21.65	15.25	8.60	8.39	21.90
Closing price	€	13.055	22.00	19.39	11.00	36.40	36.50	23.25	27.84	14.79	9.65	24.50
P/E (closing price)	€	16.3	16.7	14.7	9.5	24.6	29.4	21.9	29.0	34.4	11.4	27.2
Market cap in million	€	233	392	346	196	649	651	415	496	264	172	437

IPO price 1992: € 7.45

Shareholder structure



Share price chart 1994 – 2011



Source: Wiener Börse AG

Trading range and year-end price

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Foreword by the Chairman of the Executive Board

Dear Shareholders,
esteemed Business Partners,

Humankind and its growing understanding of water, as the elixir of life, and the limited resources of our planet are at the centre of our mission: BWT – For You and Planet Blue. The water treatment technologies developed by us – some of them unique – are not just the result of strategic research and development. For me they are also personally, a "stroke of good fortune" and an invitation to the company to make use of all the major opportunities that flow from them.

The stronger customer alignment and customer-oriented development of our company, the expansion of the Point of Use business, with table water filters for every household as well as professional filters, the major infrastructure investments in R&D and new production and last but not least in establishing the BWT brand as the "water brand" in the mind of the end consumer…all this is the logical consequence of our mission. 2011 marked the first year of our brand expansion and €75 million investment programme.

For the first time in the history of the company, we launched a broad-based media campaign with TV, print and online advertising (including social media). In Germany and Austria we reached millions of new customers with this campaign and ensured good distribution of the unique BWT Mg^{2+} table water filter. In parallel with this, the rollout of the BWT brand is continuing across the Group with the changeover of the Group brands, an initiative designed to extract maximum benefit from the marketing expenditure. Our French and Swiss subsidiaries switched their brands Permo and Christ Aqua to BWT and BWT Aqua as of 1 January 2012. Our Scandinavian subsidiary (HOH) is set to do the same later this year 2012.

While these measures also resulted in a decline in earnings over the past year, the balance sheet remains healthy as at the end of 2011 and represents a solid economic basis for the implementation of our strategy. The financial stability and independence of the BWT Group has high priority.

Most of our markets showed themselves to be in good health during 2011, although we did not remain entirely unaffected by consequences of the European debt crisis. Following a phase of recovery in the global economy in 2010, 2011 saw the onset of a synchronous weakening of the world economy. Almost every region of the world was affected, with only Eastern Europe able to achieve stronger growth than during the previous year. The USA was also affected by a significant economic downturn. Of the major economies in the euro zone, only Germany recorded strong growth in 2011. Average growth in the euro zone in 2011 was around 1.6% (real; 2010: +1.8%).

With organic growth in revenues of 8.9%, the BWT Group developed far more strongly. Annual revenues were €478.9 million. Recording an increase of 19.1%, the Point of Use business was an important driver of growth and is already contributing over 7% to our revenues. In terms of regions, Eastern Europe and Scandinavia both grew, with increases of over 20% and 14% respectively. The Italy/Spain segment showed a slight decrease in revenues and had to work hard in difficult macroeconomic conditions. BWT UK, our new subsidiary in the United Kingdom, which was taken over in the middle of 2010, has integrated well and is developing successfully.

EBIT was down by 30.9% to €21.7 million, mainly due to investment in the Point of Use business. The main reasons for this were significantly higher advertising expenditure but also higher staff costs and depreciation/amortisation. The financial result was adversely affected to the value of –€1.9 million by a non-recurring effect stemming from the disposal of Zeta and higher interest rates. After taking the increased tax burden (30.7%) into account, annual earnings fell by 39.7% to 13.8 million. Earnings per share are €0.80 compared to €1.32 the previous year. Operating cash flow fell by 23% to €26.4 million.

We continued the share buy-back programme initiated in 2008 and repurchased 396,226 BWT shares. As of the end of 2011, holdings of our own shares therefore totalled 1,039,339 or 5.8% of shares issued. The market value of these own shares held was €13.6 million as at the end of the year.

In spite of major investment amounting to €21.6 million, a dividend payment of €6.7 million and the €7.7 million share buy-back, the balance sheet position was little changed at the end of the year. The equity ratio decreased slightly from 51.0% to 49.1% and net debt rose from €9.8 million to €17.1 million, giving a figure for gearing (the ratio of net debt to equity) of 10.5% after its low of 6.0% the previous year.

The most important investment projects were the start of the expansion of production, logistics and R&D capacities at the main site in Mondsee, Austria, where up to 200 new jobs will be created by 2013, and the completion of the new logistics centre in Switzerland.

Our expenditure on research and development came to €12.1 million in 2011 (following €10.9 million the previous year). As part of our "For You and Planet Blue" mission, a salt dosing system for softeners was developed in 2011 which can be integrated into all BWT domestic softeners. This allows 20% less water and up to 20% less salt to be used during regeneration. The introduction of the new softener system Softcontrol III enables the consumption of all operating materials to be documented by means of smart metering. Furthermore, standby electricity consumption has been reduced by more than 50% compared to the previous model. The new Rondomat DUO S-DVGW series of softeners has been developed for larger volumes of water. Other important innovations include the Medio G dosing pump with even greater precision thanks to its new stepper motor and controls. For large swimming pool complexes a new process, the "Triple D", was developed for the dosing of calcium hypochlorite, enabling swimming pools to be disinfected with chlorine safely, simply and fully automatically. In the Point of Use segment, the Bestmax line has been extended upwards with the introduction of the new Bestmax 2 XL. Also new are the filter cartridge line "bestmax Premium" and reverse osmosis units with fully new online measuring and control systems.

The revolutionary Mg^{2+} filter technology, used primarily in the Point of Use Professional filter business for professional coffee machines and vending machines and BWT table water filters, was awarded the 2011 Upper Austria Innovation Prize. Using this patented technology, tap water is not only filtered, removing limescale and unwanted chemicals that affect the taste, but also enriched with beneficial magnesium. The quality of the drinking water is enhanced from a physiological point of view and the flavour of tea and coffee significantly improved. In 2011 BWT also won the State Prize for Design of the Republic of Austria for its "Rondomat Duo S" water softening system.

On the capital markets, the recent flaring up of the debt crisis and fears over impending state bankruptcies have resurrected bad memories of 2008. Significantly higher risk aversion on the part of investors and the high level of exposure to Eastern Europe on the part of many companies listed on the Vienna Stock Exchange companies caused a 35% fall in the Austrian share index, the ATX, following a 16% increase in the previous year. After a performance of +76% in 2009 and +13% in 2010, as at the end of 2011 BWT shares had fallen 41% from their previous year's level – despite an increase in the free float to 68% and the share buyback programme.

Following a quiet 2010, takeover activity resumed in the water technology sector in 2011, testifying to the attractiveness of the industry. One focus of interest was ultrafiltration technology, which is deemed to have significant market potential throughout the world. In April, Pentair acquired the ultrafiltration activities of the Dutch company Norit. Almost at the same time, the chemicals manufacturer BASF entered the market for water treatment membranes, taking over the German supplier inge. In the USA, Nalco and Ecolab merged. Also worth mentioning is the splitting of ITT into three companies, one of them being Xylem, which will now concentrate entirely on the water industry (water analysis, pumps and municipal water and waste water treatment).

The BWT Group is now the market leader for water technology in Europe. Our focus on the element water gives us an unrivalled technological expertise that ranges from water for the pharma & biotechnology industry, via hotels and hospitals and much more, all the way to water treatment for households. This positioning and our comprehensive portfolio of technologies provide us with unique opportunities that we wish to exploit. For this reason we are investing €75 million in the expansion of our brand and locations in Europe and Austria between 2011 and 2013. The expansion of the BWT brand among our end consumers offers opportunities for sustainable growth – for our young business segments as well as for our Point of Use business, marketed in conjunction with our partners, which is already galvanising tens of thousands of people throughout the whole of Europe.

I would like to take this opportunity to thank our Supervisory Board for its valuable and constructive cooperation over the past year. I would also like to offer all our highly motivated employees my warm thanks for their commitment.

To BWT's shareholders, business partners and friends, I offer my sincere thanks to you for your fair and trusting collaboration to date. BWT – For You and Planet Blue is on the way to becoming an internationally visible and recognised brand for first-class water. I very much hope you will continue on this journey alongside us.

Yours

For You.

Beauty Care with silky pearl water

You enjoy the new experience of silky pearl water on your skin, with a wonderfully soft feel. You are happy with your shining hair. You are amazed at your cosy soft linen. You are sure that you have done the best for yourself and your home, bathroom, shower, kitchen, household appliances and plumbing installations.

For Planet Blue.

The world's most efficient softener generation

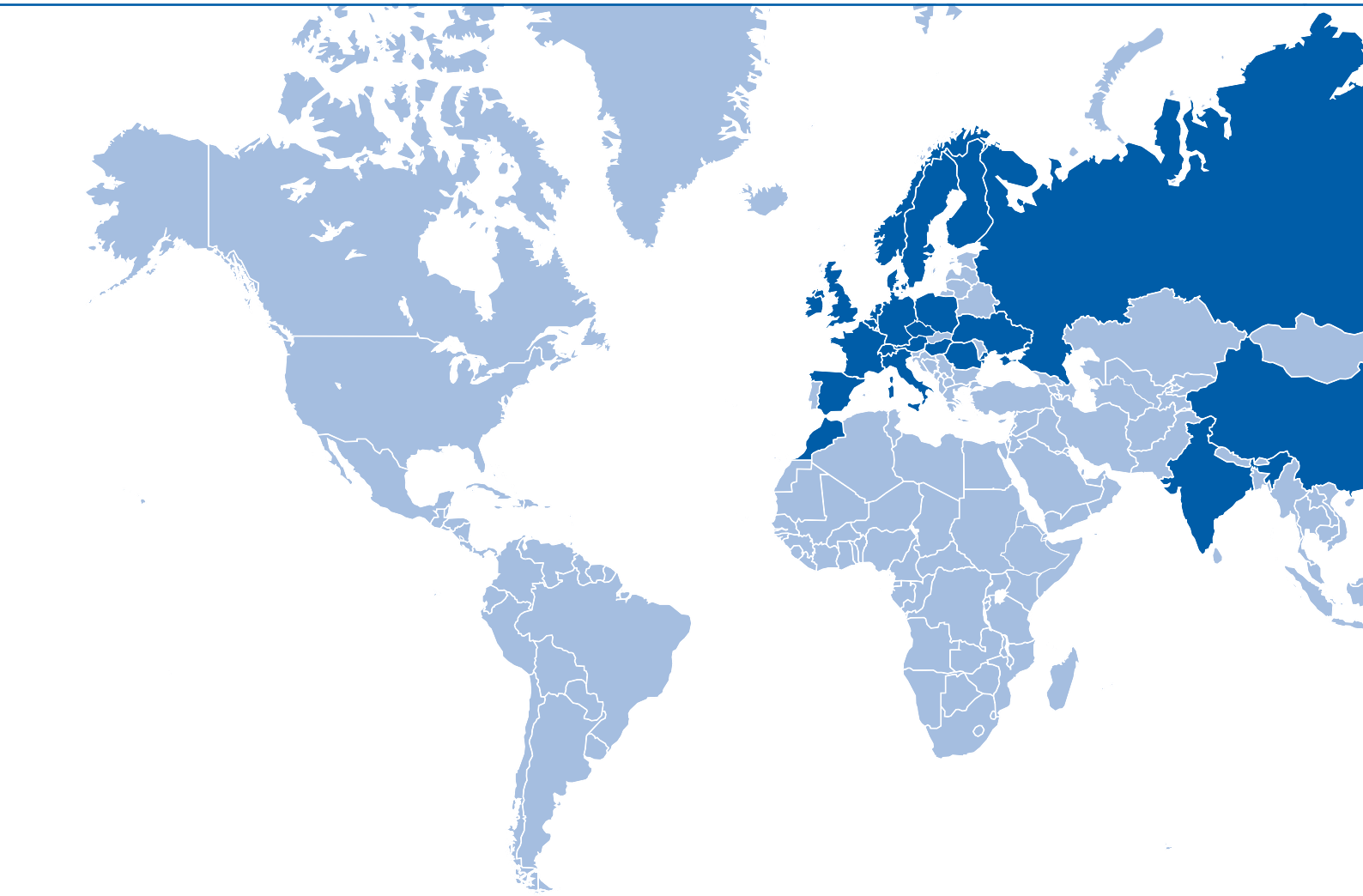
BWT AQA perla is a new dimension in the sparing use of our resources. Smart precision salting and optimised regeneration set a new technological standard. With the new Smart Metering function, with which all consumption and flow data are recorded, salt and rinse water consumption, and thus operating costs, are minimised. Furthermore, the need for care products, detergents and cleaning agents is reduced by up to 50%, and the life of your valuable investments is extended by many years.

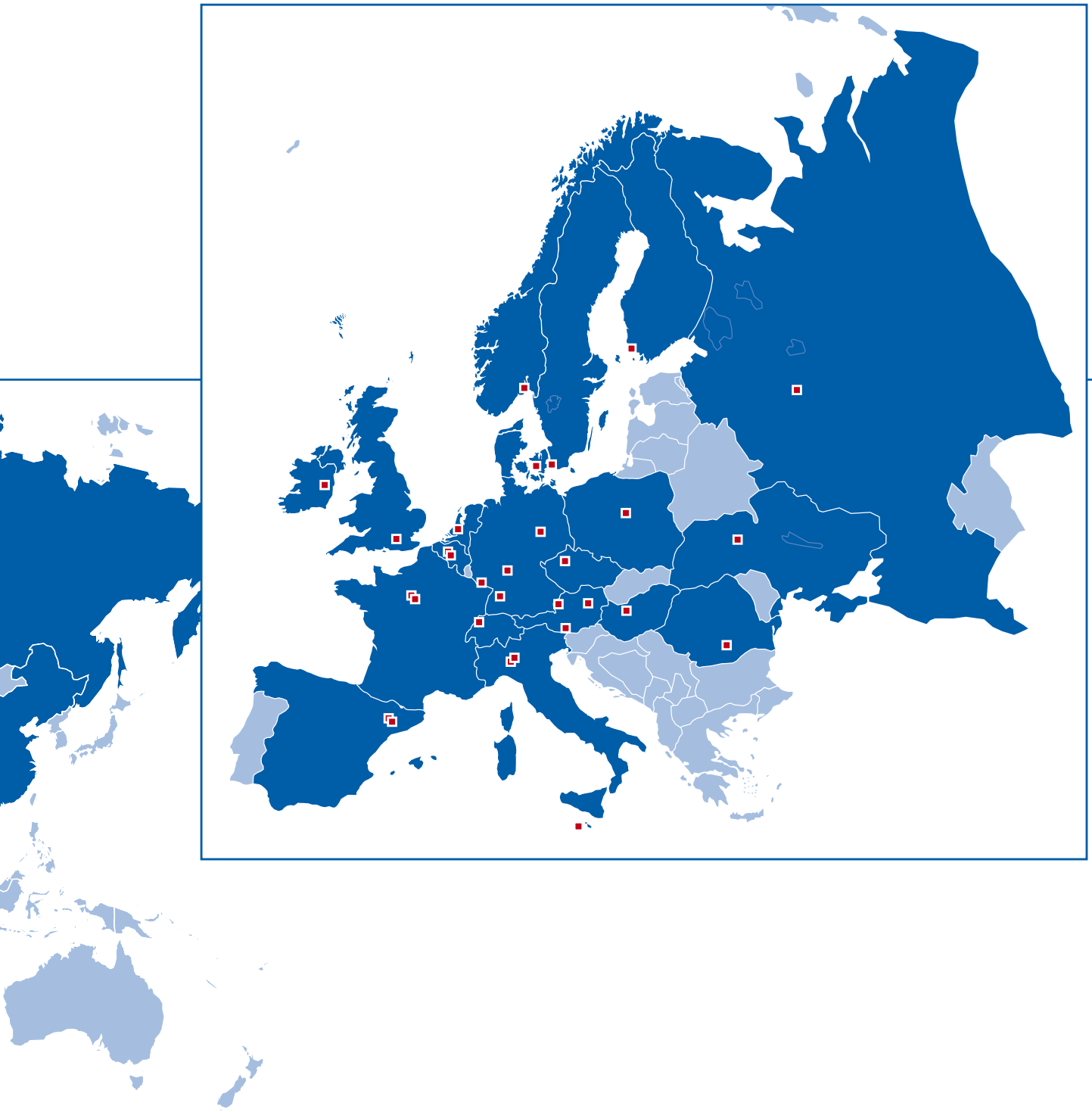
BWT – For You and Planet Blue.

BEST WATER TECHNOLOGY

BWT – Europe's leading water technology group

- **67 subsidiaries and associated companies**
- **4 production locations**
- **2,689 employees**
- **479 million € sales**
- **Research and development departments in France, Germany, Switzerland and Austria**
- **World leading know-how in all areas of water treatment**





For You.

Simple, fast filter change

Never before was the thorough protection of your domestic appliances against particles and impurities in drinking water – the replacement of filters – so simple and environmentally friendly at the same time. When unlocked, the water supply line is automatically blocked. By pulling up the lever the filter is depressurised, and the filter cup with the filter element slides out of the filter head. After inserting the clean filter element, simply push down the lever and the filter is operational again.

For Planet Blue.

Clean drinking water and protection of in-house water installations

The new category of filters is not simple, but also saves time and resources: filter replacement was never so ecological, because the filter element of the BWT E1 single-lever filter is reusable: simply rinse and reinsert. This reduces the consumption of valuable resources and waste.

BWT – For You and Planet Blue.

Supervisory Board

from left to right: Dipl.-Vw. Ekkehard Reicher, Mag. Dr. Leopold Bednar, Gerda Egger, Dr. Helmut Schützeneder, Dr. Wolfgang Hochsteger

Dipl.-Vw. Ekkehard Reicher, Oberalm
Consultant; member of the Supervisory Board of BWT AG since 1996.

Mag. Dr. Leopold Bednar, Vienna – Chairman
Senior partner of CONplementation Unternehmensberatung GmbH.
Chairman of the Supervisory Board of BWT AG since 1991.

Gerda Egger, Golling
Management Board of the WAB trust;
member of the Supervisory Board of BWT AG since 1996.

Dr. Helmut Schützeneder, Linz
Consultant to the Management Board of Raiffeisen Landesbank Oberösterreich;
member of the Supervisory Board of BWT AG since 2011.

Dr. Wolfgang Hochsteger, Hallein – Deputy chairman
Lawyer and partner of law firm Hochsteger Perz Wallner Warga;
Deputy Chairman of the Supervisory Board of BWT AG since 1991.

Management Board

Andreas Weissenbacher
Chief Executive Officer (CEO)
since 1991

responsible for the operating business and the departments Research & Development, Purchasing, Human Resources, Marketing and Investor & Public Relations.

Gerhard Speigner
Chief Financial Officer (CFO)
since 1996

responsible for the departments Finance & Controlling, Treasury, Information Technology, Law, Taxes and Risk Management.

For You.

Particularly tasty water and the best aroma of tea and coffee

The BWT table water filter is the only one which frees tap water not only from limescale and unpalatable substances, but also mineralises it with physiologically valuable magnesium thanks to the new patented Mg^{2+} technology. The result: particularly tasty and healthy drinking water – perfect for everyday drinking and the best aroma of tea and coffee.

For Planet Blue.

Waste prevention and longer useful life of household appliances

With a single BWT filter cartridge, you can filter up to 120 litres of tap water per month – tap water has an environmental footprint 1,000 times less than that of bottled water because the CO_2-intensive delivery of water and the manufacture of bottles become superfluous. Additionally, a table water filter prevents limescale and increases the useful life of your household appliances.

BWT – For You and Planet Blue.

About Water

"Water is not a mere trade commodity, but an inherited resource that must be conserved, protected and suitably treated."
European Water Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework of Community action in the field of water policy.

"Water – a Human Right"
On 28 July 2010, the United Nations General Assembly adopted a resolution recognizing access to safe, clean drinking water and to sanitary facilities as a human right.

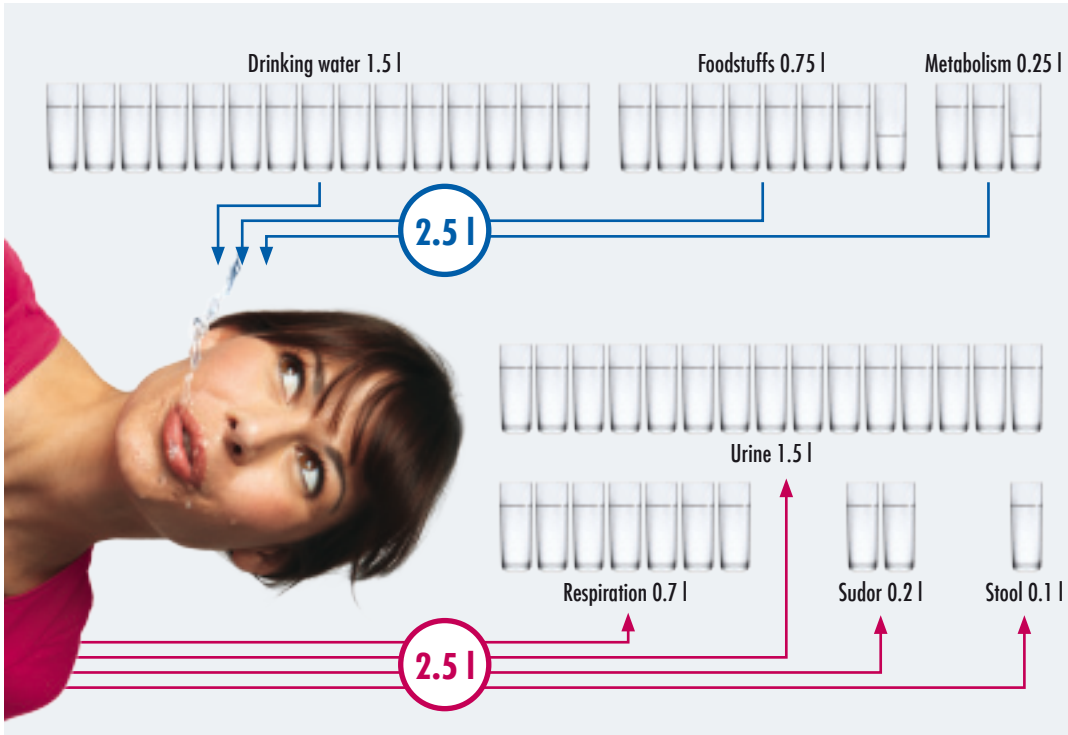
Water is a prerequisite for human, animal and plant life on earth, and an indispensable resource for the economy. In fact, water is coming to be regarded as the number one strategic resource. Therefore, as a water technology enterprise, BWT holds a unique position and considerable growth potential.

The focus of our BWT mission – For You and Planet Blue – is the human being, with his demand for clean drinking water, health, cosy warmth in living spaces, and sport and recreation. BWT offers state-of-the art water treatment systems and services for drinking water, tea, coffee and other hot beverages; water for vaccines, medicines and cosmetics and for hospital use; water for swimming pools, spas, hotels, and many other facilities. With innovative economic and environmental water technologies. Roughly 2,800 employees in close to 70 subsidiaries and associates are engaged in providing daily supplies of water, the elixir of life, with a maximum degree of safety and purity.

Water requirements in humans

The water content of a baby's body is 75%, and that of an adult is 60%. Thus, an adult weighing 70 kg contains about 42 litres of water. It is necessary to drink sufficient quantities of liquids to compensate for water loss. Every day, the metabolism in the human body creates about 250ml of water, whilst a further 750ml are provided by solid food. Therefore, to satisfy the recommended liquid intake of 2.5 litres, we must introduce 1.5 litres of liquid into the body in the form of drinks.

Daily recommended water intake and daily loss



The human body constantly loses water via the skin and breath – some 700ml every day. A further 100ml is lost in faeces, about 1.5l in urine, and 200ml through perspiration. Thus, living and breathing even in moderate climatic zones requires some 2.5 litres of water a day. In the case of exercise and increased temperature, perspiration and water loss increase, consequently the liquid requirement also increases. In the case of disease and diarrhoea, the fluid requirement also increases considerably.

Water deficiency can cause headache, tiredness and a loss of concentration. This problem occurs particularly in later life, because elderly people do not respond so readily to a slight water deficiency. They drink less, and it takes longer to redress the bodily fluid balance. Even in younger people, slight dehydration can impair mental capacity. When perspiring, children lose a comparatively large quantity of water to maintain their body temperature. Therefore it is important that they drink enough in hot weather.

"The flavour of drinks proves important when the liquid requirement is high". *European Food Information Council/Food Today, June 2006*

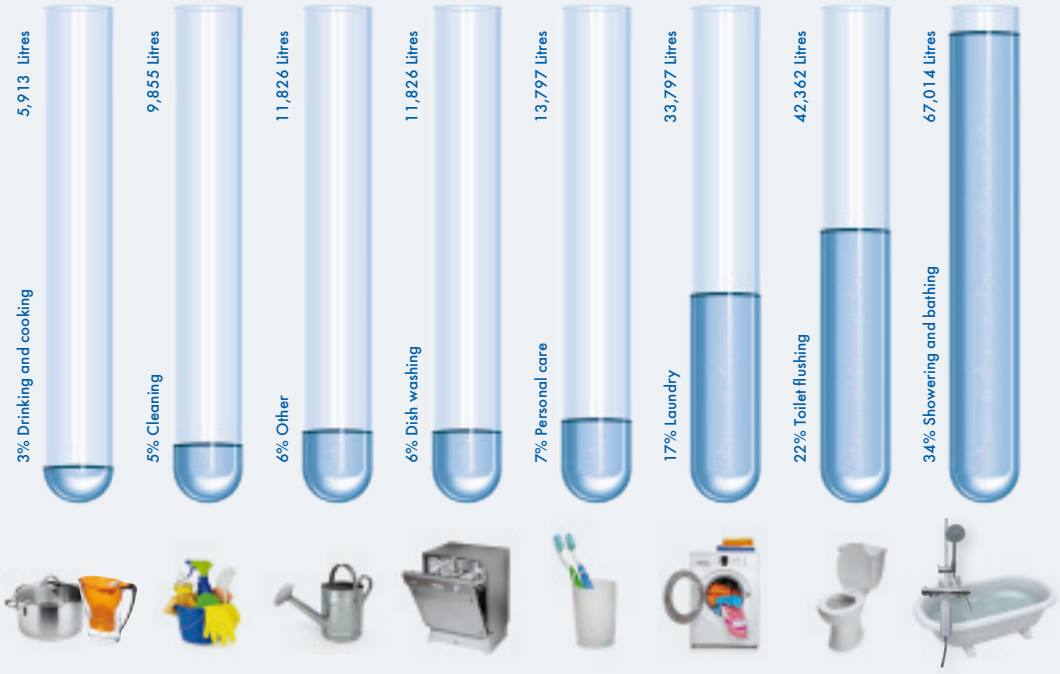
All beverages containing water can contribute to the total required liquid intake. They include fruit juices, refreshing drinks, tea, coffee, low-alcohol beverages such as beer, and of course pure water. The flavour of drinks proves important when the fluid requirement is high.

Research has also shown that caffeine has no dehydrating effect if ingested in the quantity to be found in a cup of tea or glass of cola. In the meantime, experts have agreed that normal beverages containing caffeine can be included in the required daily fluid intake. However, drinks with an alcohol content of over 10 percent, such as many types of wine, contribute to a greater loss of fluid.

Drinking water at home

Drinking water is of overriding importance in households and fulfils a range of purposes, from quenching thirst, via gentle beauty care, all the way to use in washing machines, dishwashers, heating installations and much more. Assuming that a four-person household uses 135 litres of water per person per year, some 197,000 litres of water are consumed. Of this, about 6,000 litres are used as drinking water, for coffee and tea, and for cooking. Approximately a further 12,000 litres are used for dishwashing. About 57,000 litres of water are required for having a shower or bath.

Household water consumption per year (assuming 4 persons): ~197,100 Litres



Even if the water supplied by the water authority or from the domestic well satisfies the requirements of the drinking water directive and local standards, problems frequently occur as a result of corrosion and the formation of limescale, e.g. in kettles, coffee machines and in bathtubs. The quality of water is also vital for the efficient operation of central heating, hot water tanks and air conditioning. Based on the above assumption that a household consumes about 197 cubic metres of water per year and that the average hardness of water is a mere 10°dH, some 33kg of limestone pass through the plumbing system each year. Some of it manifests itself as limescale, particularly where water is heated.

Water for industrial use

Because of its natural ingredients, only in a few cases can tap water be used in industry to make high-quality products or in communal facilities and hospitals. Drinking water is subject to particular quality requirements in the catering industry. Coffee machines, vending machines, ovens and steam cookers require a particular quality of water in order to operate at full capacity and produce optimum flavours.

In the pharmacological and bio-tech industry, water is the raw material most used. The majority of processes require water and other high-purity and highest purity media that must comply with the pharmacopeia and with medicinal standards. Thus, customers from the pharmacological, bio-tech and cosmetic industries require a suitable quality of water for drinking, manufacturing processes, aqua purificata (high-purity water) aqua valde purificata (top-purity water), and aqua ad iniectabilia (water for injection purposes).

Clean drinking water – a limited valuable resource

The earth has a massive volume of water – some 1.386 billion cubic kilometres. However, drinking water accounts for only a very tiny portion of the overall volume of water, about 0.8%. Moreover, usable drinking water reserves are unevenly distributed over the continents and are frequently exposed to strong seasonal fluctuations.

Globally, mankind already consumes over 50% of all renewable and available freshwater resources, whilst about a billion people still have no access to fresh water. Growing demand, climate change, decades of overuse of ground water reserves and prolonged periods of little rainfall and drought exacerbate the situation. A reduced watercourse of rivers, depths of lakes and groundwater levels, as well as the drying out of marshland, has been reported for many years, as well as the harm this causes to freshwater ecosystems, including the fish and bird population.

Additionally, when there is a reduction in the water supply, the quality of water normally deteriorates because whereas there is less water, there is still the same amount of pollution. In addition, more salt water is penetrating the low groundwater resources near coastlines. Also, climate change, with increasing and stronger dry periods, is bound to have faster negative effects also in Europe.

The sickness most often caused by a poor quality of water is diarrhoea. According to the World Health Organization, it is responsible for 5.3% of the deaths of all children aged up to 14 years in the European Union. Contaminated drinking water frequently causes illnesses such as cholera, typhus, hepatitis A and dysentery. Water can be contaminated with anaorganic substances that appear in nature (for example arsenic, radon or fluoride compounds), or through human activity (lead, nitrates and pesticides). Contaminated bathing water can cause serious illnesses such as typhoid and leptospirosis, as well as minor infections.

Contamination caused by agriculture is one of the major causes of poor water quality. Nutrients (nitrogen and phosphorus) in fertilizers, pesticides, pathogenic microorganisms given off by domestic animals and organic pollution caused by steel dust penetrates watercourses. Cities are a further cause of freshwater contamination, mainly due to industrial and household chemicals, metals, pharmaceuticals, food, pesticides and pathogenic microorganisms.

Each year, households, food production and industry consume about 288 cubic kilometres of freshwater, equal to about 500 cubic metres per person. On average, 55% of this is used for energy generation and industry, 24% for food manufacturing, and 21% for the public water supply. With a share of 55%, ground water is the predominant source of the public water supply because the quality of the water is generally higher than that of surface waters. In the case of other consumers, surface water accounts for 75% and more of the water supply.

Water quality – legal basis

The importance of water for mankind makes it the subject of exhaustive legal regulations. The quality of drinking water is basically defined by standards set by the World Health Organisation (WHO), on which the EU's Drinking Water Directive (EU-Directive 83/98) and the national regulations on drinking water are based. The World Health Organisation (WHO) requires 200 substances to be tested for, due to their known effect on health.

At a European level, EU regulations on drinking water have been in force since 1975, whereby binding quality targets for drinking water were set for the first time in 1980. In the second phase, stricter guidelines for communal and industrial wastewater and stricter drinking water limits were adopted in 1991, 1996 and 1998. The water directive came into force in 2000. It lays down environmental

objectives for all European surface waters and groundwater. The purposes of the directive are to protect waters and avoid a deterioration of and the protection and improvement of land-based ecosystems close to water areas and marshland. Pursuant to the EU drinking water directive, 48 microbiological and chemical parameters are tested regularly and member states are not permitted to set lower standards.

The German drinking water directive specifies a total of 34 substances that may possibly be present in water and their associated threshold values, which must be tested for in a full examination of drinking water. However, an indicator principle is implemented, so that the probability of contamination with related substances can be estimated in groups. Thus, escherichia coli stands for all faecal germs, and the total of mercury, lead and cadmium for all heavy metals. Apart from the substances to be examined in drinking water and the accompanying permissible levels (e.g. in mg/l),the frequency of compulsory measurements is also laid down in the directive. Furthermore, the Austrian (German) drinking water directive lays down that the permissible number of nucleating particles should be under 100/ml, the pH-value should be between 6.5 and 9.5, and the water is not allowed to be corrosive (conductivity 2.500µS/cm). Apart from this there are also national norms and regulations governing procedures and materials with regard to drinking water, such as DVGW.

The raising of safety standards is also reflected in the new German drinking water directive that came into effect in November 2011. Apart from new threshold values for cadmium, uranium and lead (as of 2013), compulsory testing of warm water tanks with a capacity of over 400 litres for the presence of legionella has been introduced.

Water treatment – Factors driving growth

For BWT, water is an entrepreneurial task. The importance of water treatment is increasing further due to a wide range of factors:

The global population is continuing to grow

The population of the world today is about 7.0 million people, and the UNO forecasts that it will grow to 9.2 billion by 2050. Despite global progress, about one billion people still do not have enough clean water to live decently.

Eating habits are changing

Eating habits are changing as income rises. Production of foodstuffs and products require considerable water volumes („virtual water"); for a cup of coffee that is around 140 litres. For a kilogramme of beef that is around 15,000 litres. In a highly-developed country such as Germany, 150 litres of coffee, 131 litres of mineral water, 102 litres of beer and 83 kilogrammes of meat are consumed per head per year. Global consumption of coffee rose by 25% between 2000 and 2009. Meat consumption is growing extremely quickly throughout the world.

Water stress – Resources are overstretched

Already today, over 40% of food worldwide is produced with artificial irrigation. About 20% of global water needs are covered by groundwater and this proportion is growing rapidly. According to the most recent estimates, 1.4 billion people live in river basins which are in danger of drying up. Some once powerful rivers now only carry a fraction of the water volume they once did, and in many regions groundwater levels are falling.

More and more people live in cities

The number of cities with a population of over a million rose from 86 in 1950 to 430 currently, and it will growth further. While only 29% of people were city-dwellers in 1950, now over 50% are. The current forecast is that this will increase to 70% in 2050. Cities obtain most of their water from groundwater reserves. In many cases, the volume withdrawn exceeds the natural ability of the sources to regenerate, and the groundwater level drops.

Ageing infrastructure

In the industrialised nations, supply networks were already developed at the start of the 20th century. Drinking water and waste water pipelines have a useful life of 60 to 80 years and have, in many cases, reached the end of their ability to function properly. In buildings too, damage may occur to pipes, fittings and devices (corrosion, limescale) if water is not treated appropriately.

New contaminants in water

Research carried out in some European countries has shown that, in spite of the construction of wastewater treatment plants, problematic chemicals continue to enter water. Toxic nitrogen compounds like nitrites and ammonium, pesticides and nitrates appear more frequently in the outflows of treatment plants when there is heavy rainfall. A further problem is that of new substances and compounds (e.g. nanoparticles) and endocrine substances.

Health awareness increasing

Many people drink bottled water, because they perceive the quality of normal drinking water as not being high enough. The global bottled water market is valued at 59 billion USD. With expected growth of 8% in the period 2010 to 2016.

Stricter limits on water contaminants

The improvement of safety standards for water and water installations are reflected in a dynamic legislation, especially in reducing limits and introduction of new limits for contaminants in water.

Climate change

Over the coming decades, the global water balance will change tangibly in many regions. According to the "Intergovernmental Panel on Climate Change", drought areas will spread further, heavy precipitation events increase and glaciers and areas of snow decrease. Mountainous areas will largely lose their storage function as a result of climate change.

Water – The market

According to studies of Deutsche Bank (February 2010) and Goldman Sachs (2008), there is a global need for investment in the global water economy of 400 billion to 500 billion euros with a long term growth of 4-6% over the next few years. The state alone will not be able to raise the necessary funds to overcome the challenges ahead. Demand for efficient irrigation technologies, desalination plants for seawater and treatment plants, technical equipment, filtration plants or disinfection processes will probably increase particularly sharply. According to the World Business Council for Sustainable Development, small water treatment systems will become the norm.

In the industrialised nations, within the next few years, growth of 3% to 5% (US and Western Europe) is expected due to improvements in existing water and wastewater infrastructure, while in developing markets growth of 10% and more is expected (China and India) due to the construction of new water and wastewater infrastructure. The largest growth is being seen in the technologically more challenging area of water treatment through filtration, ultrafiltration, desalination, recycling and water testing.

The target market of the BWT Group comprises small, compact water treatment products for households, buildings and the pharmaceutical industry, a market that is worth about USD 11 billion globally and whose average annual growth is about 3-5%. The market structure is mostly dominated by local providers; BWT is one of the companies operating internationally, being the market leader in Europe.

Sources:
BWT AG, Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft, Deutsche Bank AG, European Food Information Council, European Commission, European Environment Agency, Genossenschaft Deutscher Brunnen eG., Goldman Sachs, SAM Sustainable Asset Management Group, World Health Organisation, World Business Council for Sustainable Development.

For You.

Silky BWT pearl water – now also with high performance

The BWT Rondomat Duo sets new standards in flexibility and efficiency, with its compact construction in the smallest space. Entrepreneurs and facility managers can rely on a new standard of technology that offers protection against limescale in plumbing installations and facilities in the entire plant and building and for all applications at peak demand periods. Moreover, with its easily fitted extensions for dosage and additional hygiene, the BWT Rondomat Duo S is flexible like never before.

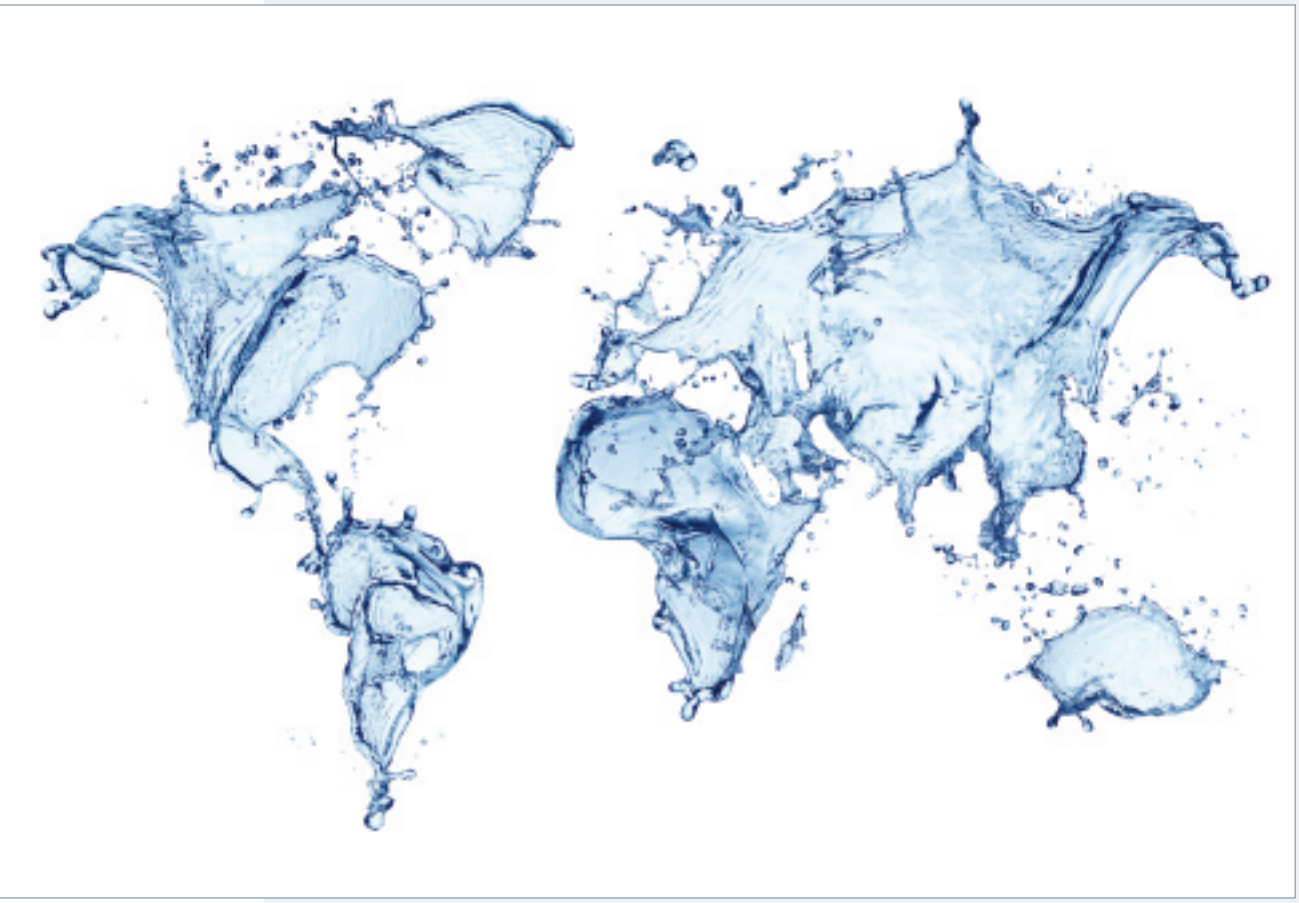
For Planet Blue.

Precision salting and Smart Metering

Efficient precision salting and intelligent operation control regulate salt and rinse water consumption depending on soft water consumption. Moreover, the regeneration period is reduced depending on the inlet pressure by up to 30 %. The novel construction and operation, automatic cutting and an electronic power circuit with low energy consumption permit an optimal capacity adjustment to the actual consumption and optimal resource-conserving operation.

BWT – For You and Planet Blue.

Highlights 2011



- Launch of the BWT Consumer Strategy
- BWT extends technological leadership
- Biggest investment programme in the company history: € 75 million
- Sales € 478.9 million, EBIT € 21.7 million, net income € 13.8 million
- Healthy balance sheet: equity ratio 49.1%, gearing 10.5%
- Total of treasury shares: 1.0 million
- Dividend 0.28* € per share

* Proposal to the Annual General Meeting

BWT Value Strategy

VISION
BWT – The Leading International Water Technology Group

STRATEGY
Growth
- through innovation
- through geographical expansion
- in existing markets with existing technologies
- through continously improving processes

FINANCING OF GROWTH
Long-term from organic cash flow

Management Report 2011

ECONOMIC ENVIRONMENT

After a brief period of recovery following the crisis of 2007/2008, the global economy weakened again in 2011. Almost all regions of the globe were affected, with only the CEE area recording stronger growth than in the previous year. The US was also hit by a sharp economic downturn. Real GDP growth for 2011 is forecast at 1.8% (2010: 3.0%). Average growth in the euro zone in 2011 was around 1.6% (2010: +1.8%). The capital markets faced the escalation of the government debt crisis in Europe. In view of the weaker environment, an ongoing expansive monetary policy by the leading central banks and the absence of inflationary fears, base rates remained low.

Growth in GDP (%)	2009	2010	2011*	2012*
Austria	–3.8	2.3	3.3	0.8
Germany	–5.1	3.6	3.1	1.2
France	–2.6	1.6	1.6	0.0
Italy	–5.0	1.3	0.5	–1.1
Great Britain	–4.4	1.8	0.9	0.8
Spain	–3.6	–0.1	0.7	–0.4
Switzerland	–1.9	2.7	1.8	0.3
Poland	1.6	3.8	4.0	3.1
Eurozone	–4.2	1.8	1.6	0.6
USA	–3.5	3.0	1.8	2.0
Japan	–6.3	4.0	–0.7	2.0
China	8.6	10.3	9.5	8.0

**) Estimated or preliminary figures; source: UniCredit, Bank Austria, IfW Kiel*

Impulses for growth in the USA have seen a slight shift since 2008. Whereas before, for decades, private consumers dominated GDP growth, in the recovery process following the crisis, consumption has played less of a role but investments and exports a stronger one. Dampening effects continued to be felt from the employment market, with unemployment around 9%, and from the real-estate sector. Contrary to fears concerning the central banks' expansive monetary policy, consumer prices rose only moderately in 2011, at an estimated 1.7% compared with 1.6% the previous year

Out of the major economies in the euro area, only Germany recorded strong growth in 2011 (+3.1 %; 2010: +3.6%). Among the smaller countries, Estonia, Finland, Slovakia and also Austria recorded growth in GDP at this level. Average growth for the euro area was around 1.6 % in 2011 given that notably Italy and Spain achieved only weak growth and, in particular, Greece. The economy also shrunk in Portugal, owing primarily to the intensifying government debt crisis. The increasingly restrictive financial policy and high levels of uncertainty concerning the course of the European debt crisis paralyzed the domestic economy. Economic activity was depressed in the light of government spending and sluggish investment. Unemployment in the euro area was around 10% and rising. Unemployment increased particularly sharply again in Spain and Greece. The increase in consumer prices accelerated during the third quarter. Inflationary pressure was exerted particularly from energy prices.

The above-average growth in Eastern Europe also eased off in the second half-year. Strong GDP growth was recorded in particular by the Baltic States. Poland, like Russia, is likely to have achieved around 4.0%; the Czech Republic and Hungary, at around 1.5%, were heavily impacted by the weaker environment, particularly in the second half-year. With few exceptions, unemployment worsened while inflation picked up. The region has the advantage that the CEE economies overall are in a better budgetary shape than their EMU counterparts.

Even China was hit by the downturn although with +9.5% (2010: +10.3%), growth was still at a significantly higher level than in most other economies. Private consumption and investment by businesses are primarily fuelling the continuing, strong economic growth. In Japan, industrial production was severely disrupted in the wake of the disasters (tsunami and Fukushima). As the reconstruction gathers momentum, it will certainly promote GDP growth, but exports will be negatively impacted by the global slowdown in demand for exports so the figure for 2011 is expected to remain around –0.7% (2010: +4.0%).

Inflation rate (%)	2009	2010	2011*	2012*
Austria	0.4	1.7	3.5	2.4
Germany	0.3	1.1	2.3	1.8
France	0.1	1.7	2.2	1.3
Italy	0.8	1.6	2.8	1.8
Great Britain	2.1	3.3	4.5	2.8
Spain	–0.2	2.0	3.1	1.1
Switzerland	–0.5	0.7	0.2	–0.5
Poland	3.5	2.6	4.2	2.9
Eurozone	0.3	1.6	2.7	2.0
USA	–0.3	1.6	1.7	1.9
Japan	–1.3	–0.7	–0.3	–0.3
China	–0.7	4.0	5.9	–0.7

**) Estimated or preliminary figures; source: UniCredit, Bank Austria, IfW Kiel*

The ECB again reduced interest rates by 25 basis points in November and in December – following two rate increases in April and July. This put the main refinancing rate at 1.0%. In addition to the decline in inflation expectations, the weak economic situation and renewed tension on the interbank market are likely to have contributed to the rate-cut decision. The situation on the financial markets has worsened against the background of the government debt crisis in the euro zone. In particular, the costs of government borrowing have risen considerably. The risk premiums on government bonds in some of the peripheral countries temporarily reached record levels.

Prices on the commodities markets were higher for gold +13% and oil around +10%. Base metals were among the biggest losers in 2011, declining by around 25%, owing in part to pessimistic economic forecasts and in part to substantial inventory overhangs.

The escalation of the European debt crisis pushed the EUR-USD exchange rate below the 1.30 level at the end of 2011, after a peak of 1.49 early on in the year. In the climate of increased risk aversion the Swiss franc reached 1.05 against the euro in mid-August. However, in September, the SNB set the currency at a minimum rate of 1.20 against the euro. CEE currencies came under pressure again due to increasing risk aversion. The Polish zloty lost more than 12% compared to the previous year and the Hungarian forint almost 16%. However, the Czech koruna remained relatively stable and even the Russian ruble was able to recover interim losses towards the end of the year.

Global growth in 2012 is restricted by the continuing debt crisis, the inevitable debt reduction procedures, weakening confidence and the lack of any economic room for manoeuvre. Volatility on the currency markets will remain very high in the current climate.

INDUSTRY ENVIRONMENT

In the euro zone, the economic situation was dampened by government spending and sluggish investment. Private spending was largely unchanged at a forecast 0.3%. Only exports featured strongly with an increase of 6.7%. Germany was a positive exception among the major economies: Investments in machinery and equipment were up some 8.4% on the previous year and investments in the construction industry increased by a considerable 5.4%. House construction showed strong growth whereas public construction work was overshadowed by the expiry of government stimulus programmes. Euroconstruct predicts that construction volumes in Europe will continue to decline.

According to estimates made by the ifo Institute, revenues of the German sanitary industry increased by 3.5% in nominal terms to €17.8 billion (2010: €17.2 billion). Whereas the expected increase in the domestic market is almost 3% to €14.4 billion (previously €14.0 billion), foreign sales revenues are expected to increase by approximately 6% to €3.4 billion (previously €3.2 billion). Overall, the upwards trend is expected to remain stable after the vibrant upturn early on in the year.

We estimate the volume of the European market for water treatment systems in the "residential" sector at approximately €1.5 billion, which indicates long-term average growth of between 3% and 5% per year. In contrast to the Point of Entry (PoE) segment, where traditional water treatment is applied to the water pipeline entering a building, the Point of Use (PoU) segment, where water is treated at the tapping point, still has a small market volume in Europe, although with higher growth rates. Outside Europe, particularly in emerging-market countries with inadequate water quality, there are opportunities for an above-average rate of growth.

COURSE OF BUSINESS IN 2011

The new target of over €470 million consolidated revenues set after the sale of the Zeta Group was exceeded at €478.9 million. Compared with the previous year, revenues were increased by 3.9% despite the disposal of Zeta. Assuming a comparable group structure, growth was 8.9%. Increased costs for the establishment of the "BWT - For You and Planet Blue" brand as the leading international "water brand", investments in the new Point-of-Use segment, the disposal of the Zeta Group and special write-downs on trademark rights had a negative impact on the 2011 earnings position.

EBITDA was down by 17% to €39.1 million and EBIT by 30.9% to €1.7 million. The Group's consolidated net earnings before minority interests at €13.8 million were 39.7% down year-on-year (€22.8 million). Cash flow from operating activities amounted to €26.4 million, the debt ratio (net financial liabilities to equity ratio) was just 10.5% (previous year 6.0%) despite the high level of asset investments, further share buybacks and the dividend distribution, unchanged from 2010, the equity ratio is 49.1% (previous year: 51.0%)

The Management Board would like to thank all BWT staff very warmly for their dedication and expertise which form the basis for the further development of our corporate group.

Revenues development

In financial year 2011, the BWT Group's consolidated revenues went up by €18.2 million to €478.9 million, an increase of 3.9% on the previous year (€460.7 million). The sale of the Zeta Group went through at the end of March. Excluding special effects and assuming a comparable group structure, revenues increased by 8.9%.

The individual business segments developed as follows:

Segment (in € millions)	2011	2010	+ / –%
Austria / Germany	195.9	207.1	–5.4%
France / Benelux / UK	116.2	104.9	+10.7%
Scandinavia	51.6	45.2	+14.3%
Italy / Spain	32.0	33.1	–3.3%
Switzerland / Others	83.2	70.4	+18.2%
BWT Group	478.9	460.7	+3.9%

The Austria / Germany segment was the most severely impacted by the sale of the Zeta Group with a reduction in revenues of 5.4% to €195.9 million. After adjustment with respect to Zeta, sales were up 2.6% on the previous year. The revenues performance of household and commercial water-treatment units was above average with growth rates of 8.5% and 17.4%. In particular, the new drinking-water softener technology AQA perla met with a favourable response on the core markets of Austria and Germany. FuMA-Tech GmbH, which conducts research and development activities related to special membranes, increased its revenues in 2011 to €5.0 million (previous year: €2.9 million) largely due to innovative membrane technology for CIP (cleaning-in-process) applications in the beverage industry.

The 10.7% revenues growth in the France / Benelux / UK segment owed much to BWT UK in its first full year of consolidation. BWT Belgium also performed extremely well. Growth in France on the other hand was modest at below 2%. The Point of Use business increased its share of segment revenues from 6.9% to 8.7% and the Service and Spare Parts business expanded by 15%.

2011 was a very successful year for the BWT companies in Scandinavia. Both the HOH Group and the Swedish BWT Pharma achieved double-digit percentage growth rates. Revenues for the segment were increased by 14.3% to €51.6 million. The BWT water + more coffee-machine filter programme with a 46% increase also contributed to this growth.

BWT companies in Italy and Spain did not escape the very difficult market conditions in these countries but ultimately the 3.3% drop in revenues was a moderate one. Comprehensive reorganisation measures were implemented at the Spanish subsidiary. The good news was that the Point of Use business in the Italy / Spain segment increased again by almost 9% contributing 16.9% to the revenues for the segment.

The Switzerland / Others segment once again recorded very strong growth of 18.2% to €83.2 million. This highly satisfactory increase in revenues was brought about predominantly by the Swiss subsidiary, accounting for over 15% (aided in part by the CHF exchange rate), by BWT Russia - having doubled its revenues to almost €10 million - and BWT Pharma in Ireland and BWT China. In Poland, objectives were not achieved, revenues dropped by approximately 5%.

Overall, the BWT Group in Eastern Europe achieved revenues of €30.0 million in 2011 compared with the previous year at €24.9 million representing an increase of 20.5%. The increase was primarily attributable to Russia. Eastern Europe contributed 6.3% (previous year: 5.4%) to the Group's total revenues. Europe's overall share in revenues amounted to 94.7% (previous year: 95.8%). In Asia, BWT France achieved 3.2% or revenues of €15.4 million (previous year: €12.4 million) with growth of 24%. The rest of the world accounted for 2.1% of the Group's consolidated revenues against 1.5% for the previous year.

In the Service and Spare Parts business, the BWT Group achieved revenues of €98.5 million in 2011, up 4.7% on 2010. This represents 20.6% (previous year: 20.4%) of Group revenues with these services. The Point of Use business again recorded an above-average rate of growth: At €34.8 million, the previous year's revenues of €29.2 million was exceeded by 19.1% increasing the percentage of total revenues from 6.3% to 7.3%. Despite the disposal of Zeta, the Point of Use business grew by 2.4% to €345.6 million in 2011 in the Austria/Germany segment, representing 72.1% of Group revenues.

The order book amounting to €88.1 million, up by more than 20% compared with the previous year (€73.2 million), provides a strong basis for a successful financial year 2012. Notably the companies operating in the Pharma and pool water treatment businesses have significantly fuller order books than was the case as at 31 December 2010.

Earnings development

The comprehensive advertising measures implemented as planned and aimed at establishing the brand BWT - For You and Planet Blue combined with wider investment in the Point of Use business caused a drop in income in 2011. EBITDA was down by 17% to €39.1 million and EBIT fell by 30.9% from €31.5 to €21.7 million. The Group's consolidated net earnings before minority interests dropped 39.7% to €13.8 million. Earnings per share were €0.80 compared with €1.32 the previous year.

Other operating income rose from €6.3 million to €8.5 million, primarily due to higher income from asset disposals.

Capitalised labour, overheads and material increased by €0.2 million and consisted mainly of development costs to be capitalised according to IFRS.

The cost of materials including changes in inventories inched up in relation to revenues from 39.9% in the previous year to 40.1%. This is predominantly attributable to the different weighting in different product segments.

Personnel expenses increased by 3.8% compared with the previous year from €151.7 million to €157.4 million. The elimination of the Zeta personnel expenditure effective from the second quarter was offset by new recruitment in Austria (for the expansion of the Point of Use activities) and in France and Switzerland (mainly service personnel) and by customary salary adjustments.

An above-average increase was recorded under other operating expenses. These expenses rose by 17.6% from €85.0 million in the previous year to €100.0 million. The major part, or over €6 million, is accounted for by additional advertising expenditure deployed for the expansion of the BWT brand name. Other large

increases related to fleet costs (€1.0 million; due primarily to the higher fuel prices), outgoing shipping, external warehousing and external staff (€2.1 and €2.8 million respectively; principally in production). Receivables write-downs and precautionary valuation allowances in relation to receivables increased from € 0.8 million to € 2.1 million.

EBITDA (earnings before interest, taxes, depreciation and amortisation) dropped 17.0% from €47.2 million to €39.1 million.

Depreciation increased by €1.7 million compared with 2010, rising from €15.7 million to €17.4 million. The increase was due to a non-recurring valuation allowance of €1.2 million for the brand Christ Aqua. This valuation allowance was necessary because, with immediate effect, the BWT brand is also being used in the Pharma business. In the previous year, goodwill impairment had resulted in value impairments of €1.5 million. In the financial year 2011, this figure was €1.8 million. Write-downs on tangible and intangible assets amounted to €14.3 million in 2011 compared with €14.2 million in the previous year. The non-recurrence of the write-downs owing to the disposal of Zeta was offset by higher normal depreciation and amortisation for the increased asset investments related to Point of Use.

EBIT fell by 30.9% from €31.5 million to €21.7 million due to the 17.0% drop in EBITDA and higher write-downs. The EBIT margin weakened from 6.8% of revenues to 4.5% of revenues.

The financial result was €-1.9 million, a deterioration of €1.7 million compared with 2010. This was due to lower returns from financial investments, down by €0.6 million, interest expenses up by € 0.5 million and a € 0.6 million loss resulting from the sale of the Zeta Group

Earnings before taxes totalled €19.9 million in 2011 and were therefore 36.4% down on the previous year's figure of €31.2 million. The Group tax rate increased from 26.8% to 30.7%, attributable on the one hand to tax arrears from prior periods and, on the other hand, to the fact that higher profits were achieved in countries where tax rates are higher.

As a result of this higher income tax charge, the BWT Group's annual earnings fell by 39.7% from €22.8 million to €13.8 million. The return on revenues was 2.9% (previous year: 5.0%). The share in earnings of minority shareholders amounted to €0.2 million (previous year: €0.1 million) so that at €13.6 million the BWT Group's consolidated net earnings after minority interests were 40.2% below the previous year's figure of €22.7 million.

Further shares were repurchased in the financial year 2011, the average number of outstanding shares decreased from 17,241,724 in the previous year to 16,901,626. Earnings per share in 2011 were €0.80 against €1.32 in the previous year (-39%).

In view of the decline in Group earnings and the intensive continued investment in the expansion of the Point of Use business and in measures for reinforcing the brand planned for the short term, the Management Board will submit a proposal to the next Annual General Meeting to reduce the dividend payment to €0.28 per share. In the previous year, the payment was €0.40 per share.

Segment earnings

The following table shows EBITDA (earnings from operating activities before depreciation and amortisation) in the individual business segments compared with the previous year:

Segment EBITDA (in € millions)	2011	2010	+ / –%
Austria / Germany	9.0	19.3	–53.4%
France / Benelux / UK	6.6	6.9	–4.3%
Scandinavia	9.1	7.0	+30.0%
Italy / Spain	2.7	3.7	–27.0%
Switzerland / Others	11.7	10.3	+13.6%
BWT Group	39.1	47.2	–17.0%

After deducting depreciation and amortisation, the following EBITs were achieved:

Segment EBIT (in € millions)	2011	2010	+ / –%
Austria / Germany	–2.2	9.5	–
France / Benelux / UK	3.7	4.4	–14.3%
Scandinavia	8.5	6.4	+32.7%
Italy / Spain	2.6	3.5	–25.9%
Switzerland / Others	9.1	7.7	+17.3%
BWT Group	21.7	31.5	–30.9%

The Austria / Germany segment was hit the hardest by the non-recurring effects (additional advertising expenditure, investment in the Point of Use business, disposal of Zeta and extraordinary write-downs) resulting in EBIT weakening from €+9.5 million to € -2.2 million. The new, modern corporate design with classic filter and anti-scaling products resulted in encouraging improvements in the Point of Entry business for both BWT Austria and BWT Germany.

In the France / Benelux / UK segment, EBIT was down by 14.3% to €3.7 million. In Belgium and Holland, earnings rose, BWT UK also contributed positively to the increase in profits (partly due to consolidation as it was only integrated into the BWT Group with effect from July 2010). However, the increases in profits were not enough to offset the decline in income in France. The under 2% increase in revenues was not enough to offset the increase in costs there.

The Scandinavia segment performed extremely well. With revenues up by 14.3%, EBIT improved by 32.7% to €8.5 million. This was achieved by contributions from all the HOH companies, with the exception of Finland, and BWT Pharma and Biotech AB, Sweden's marked successes in the Pharma business. The EBIT margin for the segment at 16.5% (previous year: 14.2%) was significantly above the average figure for the Group.

The Italy / Spain segment had to struggle against the difficult market environment in 2011. With a 3.3% fall in revenues, EBIT declined by €0.9 million to €2.6 million. Additional costs also accrued as a result of severance payments following reorganisation of the Spanish subsidiary, Cilit S.A., and also in relation to receivables valuations in Italy. The Point of Use business, notably in Spain, progressed positively according to plan.

As in the previous year, the Switzerland / Others segment achieved significant improvements in both revenues and earnings in 2011. With an 18.2% increase in revenues, EBIT improved from 17.3% million to €9.1 million. The growth drivers were once again the Swiss Christ Aqua AG, the name of which was changed to BWT Aqua AG with effect from 1 January 2012 as part of the refocusing of the BWT brand name. The CHF/EUR exchange rate also had a positive effect. Among the activities in Eastern Europe, BWT Russia is particularly worthy of mention having more than doubled its revenues which significantly improved earnings. The financial year 2011 was disappointing in Poland and activity in Hungary and the Czech Republic remained at moderate levels. In China, marked increases in revenues were not translated into profit owing to significantly lower margins. Thanks to strong exports in the Pharma water business, BWT Ireland performed well.

Development of the financial position

The BWT Group's financial position remains strong:

Cash flow from operating activities declined from €34.3 million the previous year to €26.4 million. The decline was due primarily to the drop in earnings. Cash flow from earnings decreased against the previous year from €47.8 million to €34.6 million.

Owing to increased investment in fixed assets, cash flow from investing activities decreased from €-15.1 million the previous year to €-19.0 million. The company spent €21.6 million on investments in intangible assets and property, plant and equipment in 2011 (previous year: €14.9 million). The most important investment projects in the financial year 2011 related to the expansion of the production, logistics and R&D capacities at the head office in Mondsee, Austria and completion of the new logistics facility in Switzerland.

In 2011, cash flow from financing activities amounted to €-9.9 million against €-17.0 million the previous year. Of this sum, €6.7 million (previous year: € 6.9 million) was paid out on dividends and €7.7 million (previous year: €4.8 million) to buy back the company's own shares. Some €4.7 million net were taken up in additional financial liabilities; €5.3 million were paid back in the previous year.

Net debt of the Group excluding social capital provisions amounted to €17.1 million as at 31 December 2011 against €9.8 million in the previous year. Notably, the much higher level of investment impacted this figure. The gearing, the net debt to equity ratio, increased from the previous year's low of 6.0% to 10.5%, net current assets, despite high revenues, decreased slightly from €61.7 million to €61.4 million and amounted to 12.8% of revenues (previous year: 13.4%).

The consolidated balance sheet total of the BWT Group increased by 3.2% from €321.1 million as at the end of 2010 to € 331.3 million, due primarily to asset investments and higher levels of receivables. The equity ratio decreased from 51.0% to 49.1% affected also by the higher level of own shares following further buy-backs at a cost of €19.0 million (previous year: €11.2 million). The company shares were recorded as a deduction from equity in accordance with IFRS provisions. Group equity amounted to €162.6 million as at 31 December 2011 compared with €163.9 million the previous year.

Return on equity dropped from 14.4% to 8.4% due to the lower Group consolidated earnings and higher average equity. The return on capital employed decreased owing to the weaker EBIT from 13.4% to 8.5%.

Employees

Every day, everyone comes into contact with water on numerous occasions and in a wide variety of situations and also, therefore, with BWT products and technology. This variety creates major challenges for us as a company and for each of our employees. It is precisely these challenges that we want to meet by working together with our staff.

The Best Water Technology Group believes firmly that people constitute the key success factor. Because the success of BWT lies on the one hand in the enthusiasm for water technology that we invest in our products and technology and, on the other hand, in the dedication and solidarity demonstrated by our employees.

From product developers and process engineers through production workers and fitters to the staff in our internal service departments, in our company, employees with technical, business or legal qualifications are assigned a wide range of tasks in all areas of activity.

As at 31 December 2011, the BWT Group had a total workforce based on FTE (full-time equivalents) of 2,689 employees (previous year: 2,820) working in the 45 consolidated BWT subsidiaries in 20 countries. The decrease is attributable to the sale of the Zeta Group which employed approximately 140 staff. Resources have been increased primarily in Austria, Switzerland and France where the majority of the additional recruitment was in the Service business.

1,174 employees (previous year: 1,275) work in the Austria / Germany segment; 755 in France / Benelux / UK (previous year: 745); 213 in Scandinavia (previous year: 205); 89 in Italy /Spain (previous year: 92) and in Switzerland / Others 458 (previous year: 503).

Again there were no strikes or labour disputes in 2011. Social benefits vary from company to company and include canteens, preferential personal insurance, free drinks at the workplace, sporting events, company events and similar schemes. There is no stock option programme at BWT. Management, field staff and other key employees participate in various profit share and bonus schemes, which vary locally.

Personnel management tasks are carried out by local companies, in line with the decentralised structure, while strategic human resources tasks are the direct responsibility of the CEO. A total of T€687 overall (previous year: T€830) was spent on training in the BWT Group in 2011.

Our employees stand out due to their qualifications, commitment, responsibility, discipline, loyalty and mutual respect in a "family style" working environment. They are the key to the further positive, sustainable development of our Company.

Environment / Corporate Social Responsibility (CSR)

BWT has set itself the goal of making CSR an integral management function, for which the managements of the Group companies in the particular functional responsibilities and the Management Board are chiefly responsible. The leading body of CSR is the Investor Relations Department, responsible for the development of a CSR mechanism, CSR Controlling, and for conveying proposals to the management. The internationally recognised GRI template serves as the reporting standard, which has been incorporated in the present Reporting and Controlling Management System. Current certificates, standards and management systems (e.g. ISO 9001, ISO 14001, SA 8000) are major points of reference. Further measures include the further development of the CSR indicator system, regular dialogue with stakeholders and a definition of CSR area objectives. BWT's product development and production processes are based on a principle of economic and environmental optimisation and therefore conform to the objective of sustainability in both the production process and application.

The recording of environmental data was improved further in 2011.

Research & Development

The BWT Group develops and markets trend-setting technologies that conform to people and nature. Therefore, our mission is "For You and Planet Blue". In 2011, a brine metering system for softeners was developed which can be integrated into all BWT domestic softeners. This allows 20% less water and up to 20% less salt to be used during regeneration. Brine metering is a precise salt dosing system that irrespective of local water pressure always requires the same amount of salt for regeneration; brine metering also allows to reduce the water consumption as in the case of high water pressures the time of regeneration is being shortened. The introduction of the new softener system Softcontrol III enables the consumption of all operating materials to be documented by means of smart metering. Furthermore, standby electricity consumption has been reduced by more than 50% to 2.3 Watts compared to the previous model by using special electronic components.

The new Rondomat DUO 1,2,3 S-DVGW series of softeners has been developed for larger volumes of water. The design won the State Prize for Design of the Republic of Austria. In addition to economical operation, the design concept is saving space resulting in a small footprint.

Other important innovations include the Medio G dosing pump with even greater precision thanks to its new stepper motor and controls securing an improved ease of use. For large swimming pool complexes a new process, the "Triple D" – for dissolving, diluation, dosing – was developed for the dosing of calcium hypochlorite. Calcium hypochlorite is a solid containing more than 65% chlorine. Using Triple D, swimming pools are disinfected with chlorine safely, simply and fully automatically. Moreover, Triple D is saving a lot of space as the entire system fits on a usual euro pallet.

In the Point of Use segment, the Bestmax line has been extended upwards with the introduction of the new Bestmax 2 XL. The new capacities now are 12m^3 for Bestmax, 7m^3 for Bestmax premium and 6m^3 for Bestprotect.

The direct expenses for Research & Development amounted to €7.4 million (previous year: €6.2 million).

Reporting on key features of the internal control system with regard to the accounting process

With regard to accounting, the internal control system (ICS) defines all processes to ensure that the accounting process is efficient and orderly. It reduces errors in transactions, protects assets from losses due to damages and fraud, and guarantees that corporate procedures comply with the Company's statute, the Group's policies and applicable laws. The control environment for the accounting process is characterised by a clear organisational structure and process organisation. Functions are clearly assigned to particular people, for example, in financial accounting, treasury or controlling. The employees assigned to the accounting process have the required professional qualifications and standard software is predominantly used.

BWT Group policies are based on the BWT Code of Conduct and Compliance guidelines, as well as on the management Rules of Procedure in place for all companies in the BWT Group. These provisions are revised as required in accordance with the compliance provisions and explained to management in detail. Local management is responsible for compliance with the guidelines in their own respective BWT subsidiary. Among other things, the management rules of procedure underline the necessity for strict compliance with the provisions outlined in the Management Handbook and define a list of business cases which require Group management approval. The BWT Group management handbook includes necessary information pertaining to the accounting process and provisions such as the Accounting Handbook (reporting guidelines, reporting and accounting procedures), Treasury Guidelines and IT Guidelines.

The uniform monthly reporting process, which is governed by the Accounting Handbook and applied group-wide, together with the PM 10 reporting software used to record and analyse data, ensure regular checks of the assets development and earnings performance of the individual members of the Group. Standard reports and ad hoc evaluations allow for quick analysis of any deviation from budgeted values and values from the previous year. The information is then grouped together by Group Controlling and brought to the attention of the local management and heads of division. In 2011, progress was made notably on the development of a group-wide data warehouse holding all the most important detailed data on changes in revenues and margins for products and customers. The settlement of longer-term construction contracts is subject to a Group-wide project controlling process. Information gathered on an ongoing basis by the treasury system "Bellin" (e.g. automatic reading of bank account statements) allows for a weekly bank account status update and monitoring of credit lines, bank signature authorisations and current liabilities. Furthermore, intragroup figures are monitored by a netting system and intercompany balances are regularly recorded.

Consolidated results of the Group in accordance with IFRS reporting standards are provided to the shareholders on a quarterly basis. The annual financial statements are subject to an extensive external audit by the Group's annual auditor, which guarantees uniform auditing standards through its international network, and the audit takes place in close coordination with the Supervisory Board and the Audit Committee. Standardised monthly management reporting covers all the individual companies in the consolidated BWT Group.

The Supervisory Board of BWT AG keeps itself regularly informed about the internal control system during its meetings and the Audit Committee has the task of monitoring the effectiveness of the control system. The control environment for the accounting process is characterised by a clear organisational structure.

Autumn 2011 saw the first steps in the introduction of standardised IKS software which will provide further support to the documentation of internal processes at the individual companies of the Group. This standard software will be rolled out gradually throughout the group.

Risk management

The BWT Group's risk management system is applied to all processes in order to systematically identify, evaluate and regulate corporate risks.

The BWT Group's risk policy is in line with its basic objective – to increase the value of the Company in a sustainable manner while avoiding any excessive risk. Risk management is part of the implementation of this strategy and falls within the remit of the Management Board, which defines risk as a threat but also an opportunity for positive deviation from predetermined company objectives.

The BWT Group's risk management system is based on a Group-wide risk management policy and is supported by web-based reporting software called PM 10. Reporting is designed to enable early identification and evaluation of existing and potential risks. In this way, risks are periodically identified in a structured process. Risks are evaluated and regulated, taking into account both qualitative and quantitative features, according to their impact on the individual subsidiaries and the probability of them occurring. When a risk is identified, responsibilities are defined and potential risks are catalogued by the risk management staff and reported to the Management Board. The Supervisory Board also receives a summary report at its regular meetings. In keeping with the decentralised organisational structure of the BWT Group, the competent local managers are responsible for implementing and supervising the risk management system.

Material risks

The main types of risk which could adversely affect the Group's assets, financial position and earnings remain unchanged as follows:

Development risk

As a leader in technology, we are continuously developing products and procedures that are based on new technologies, which in some cases can only be manufactured with the use of complex, sometimes new and expensive production technologies. Despite extensive testing, malfunctions cannot be ruled out and it may be that investments prove not to be worthwhile. Besides the loss of customers and compensation claims, this could also affect the reliability rating of the Company's products and services and lead to a decline in demand in the business area concerned.

Risk when acquiring and establishing new companies

BWT has in the past carried out a series of acquisitions and established a number of new companies and we assume that there will be further purchases in the future and/or that more new companies will be established. There is an inherent risk that these companies that have already been acquired or set up, or which are purchased or set up in the future, fail to achieve the anticipated results. In particular, there is a risk of failure to integrate such companies into BWT's business operations and company structure, or to achieve planned synergy effects.

Personnel risk

A significant part of BWT's success is based on the experience, contacts and knowledge accumulated by our managers and key employees. If managers or key personnel resign, it cannot be guaranteed that we will succeed in recruiting staff within a reasonable period of time and on competitive terms who are sufficiently qualified and possess comparable expertise, and who thus ensure continued successful management of the Company. A similar risk also pertains to the management of BWT's subsidiaries.

Liquidity risk/financing risk

Liquidity relates on the one hand to the ability to obtain sufficient financial resources in the form of cash and/or lines of credit at any given time to make due payments or to obtain necessary guarantees and suretyships from banks. On the other hand, it should also be guaranteed that available liquidity and financial investments are provided or can be accessed by the company practically without risk and at short notice. A corporate-wide financing company operating within the Group, which also holds the existing cash pools, is available to control and optimise liquidity. BWT Group's investment strategy is orientated towards cooperating with financial partners of impeccable credit standing.

The BWT Group has access to sufficient bank credit lines. Due to the Group's good credit standing and its low level of net debt, at present we consider the financial market crisis to have no direct impact on its access to credit lines.

Interest rate risk

As part of BWT's business activities, it is necessary to use borrowed capital to finance current assets, investments and possible company expansions. The current borrowed capital has both fixed and variable interest rates and is both current and medium-term. Loans with a short-term fixed interest rate and variable interest loans are exposed to a standard market interest rate risk.

Currency risk

BWT partly finances its operating resources, investments and possible expansion in foreign currencies. This is directly related to the international character of its operations. Covering transactions are carried out in the Group's central treasury for cash flows in foreign currencies and these reduce the negative repercussions of exchange rate fluctuations. Necessary interest and currency securities were carried out from the operating activities of the BWT Group by BWT Group Services GmbH.

Default/solvency risk

BWT's business activities are exposed to a risk that customers will not be able to fulfil, partially or completely, their payment obligations to the BWT Group. In line with standard market practices and after weighing up the costs and benefits, the BWT Group attempts to reduce this risk by, for example, obtaining payment guarantees from banks and export credit agencies. Moreover, whenever necessary, the company covers risks in the project business with international credit insurers. The management makes sure that BWT Group companies obtain information about the credit standing of customers before signing agreements with them, e.g. by obtaining company information from reputable agencies.

IT risk

Many Company operations are supported by the use of IT hardware and software. Management decisions are dependent on information that is produced by these systems. The malfunction of IT systems presents a risk that is to be minimised as much as possible by complying with provisions for data and infrastructure protection, outlined in the IT Guidelines.

Overall risk

Risks posing a threat to the BWT Group are monitored to the best possible standards by the measures described above. BWT does not currently envisage any risks which could endanger the Company's continued existence.

Information under Section 243a of the Austrian Commercial Code

BWT's share capital consists of 17,833,500 shares (previous year: 17,833,500), each of which represents an equal share in the share capital.

The Management Board does not know of any restrictions relating to voting rights or to the transfer of shares.

WAB Privatstiftung holds 17.8% and FIBA Beteiligungs- und Anlage GmbH 8.4% of shares. As at 31 December 2011, BWT AG had purchased a total of 1,039,339 company shares in the course of its share buy-back. The free float is held by Austrian and international investors. BWT's shares are listed on the Prime Market of the Vienna Stock Exchange under International Security Identification No. AT0000737705. In the USA, BWT's shares are traded on the OTC market via a Sponsored Level 1 ADR Programme operated by the Bank of New York.

The Management Board is not aware of any special control rights held by the shareholders. There are no known substantial blocks of shares held by employees of the BWT Group. Like any other shareholder, employees holding shares are free to exercise their voting rights at the Annual General Meeting.

There are no regulations regarding the appointment and recall of members of the Management Board and the Supervisory Board or amendments to the Company's statute that are not derived directly from the law.

On the basis of the current statute of BWT Aktiengesellschaft and in accordance with the resolution of the Annual General Meeting held on 24 May 2007, the Management Board is authorised to increase the Company's share capital by up to €8,916,500 until 20 June 2012 by issuing new shares to €26,750,000.

Resolutions of the Annual General Meetings held on 20 May 2008 and 26 May 2010 authorised the Management Board to buy back the Company's own shares. In 2011, the Management Board exercised that authorisation and, in the course of the year, acquired a further 396,226 treasury shares. Together with the 643,113 shares it purchased in previous years, BWT AG therefore holds, as at the balance-sheet date of 31 December 2011, a total of 1,039,339 treasury shares. At the end of the year, the market value of treasury shares amounted to €13.6 million. The full cost of the acquisition amounting to € 19.0 million (previous year: € 11.2 million) was recorded as a deduction from equity as required under IFRS provisions.

Article 29 of BWT's current statute states that the discount in the event of a mandatory offer provided for in Section 26 Par 1 of the Takeover Act (Übernahmegesetz) is excluded. Apart from that, the Management Board knows of no significant agreements to which the company is party which will become effective if control of the Company changes hands as a result of a takeover bid.

There are also no compensation agreements between the Company and its Management Board and Supervisory Board members or employees in the event of a public takeover bid.

Outlook

In 2011, the BWT Group instigated a comprehensive investment programme extending over several years with a volume totalling €75 million. On the one hand, the programme aims to establish the BWT brand as the leading water brand with the brand message "For You and Planet Blue", and, on the other hand, to provide the required development, production and logistics capacities for the Point of Use product segment at the Mondsee site. Efforts for the implementation of this programme will be intensified during 2012 according to the plan so that, despite the forecast increases in revenues, higher earnings overall are not anticipated for 2012 owing to the increased advertising expenditure and financing costs for the BWT Group.

The continuing solid balance sheet structure with low indebtedness and good capital situation and technological leadership demonstrated by the water treatment business form the basis for continued positive development of the BWT Group and its subsidiaries in the increasingly important water-treatment market.

No events occurred after the balance sheet date (31 December 2011) that were of particular significance for the BWT Group and would have led to its assets, financial position and earnings being presented differently.

Mondsee, 24 February 2012

The Management Board

Andreas Weissenbacher

Gerhard Speigner

For You.

Sustainable mobility, communication, heat and power supply

Mobile phones, notebooks, cars – there are many other versatile application areas for the energy converter of the 21st century – the fuel cell. In this future market BWT subsidiary FUMATECH is a globally active supplier of innovative membranes representing the central element of the Membrane-Electrode-Assembly, the heart of the fuel cell – for sustainable mobility, communication, heat and power supply.

For Planet Blue.

Clean energy for the 21st century

In a fuel cell hydrogen and oxygen – separated by a proton conductive, gas blocking membrane - merge to generate power and water. The fuel cell therefore transforms chemical energy by an electrochemical process immediately into electrical energy and heat. The hydrogen required ideally is being produced by electrolysis of water employing alternative power of sustainable sources. Apart from this chemical power storage and water and pressurised air storages, these electrochemical storages are the best suitable known today.

Our contribution to the energy turnaround – Towards a decentralised and sustainable energy supply fit for the future

Water and energy are closely linked. Hydrogen and oxygen make water – and energy. With its fuel cell activities, BWT is making a contribution to this planet's urgently needed energy turnaround. Fuel cell technology offers clean, efficient and reliable energy for virtually any application that requires electrical power.

In PEM fuel cells, hydrogen and oxygen – which are separated by a proton-conductive, gas-impermeable membrane – are combined to form water, with energy being released in the process. This means that fuel cells are the optimal method of converting chemical energy in an electrochemical process directly to power and heat. The fact that no intermediate steps are involved makes fuel cells exceptionally efficient.

Membrane technologies are a special focus of BWT's research activities, since they are used not only in water treatment, but also in energy generation and storage applications. Together with alternative sources of energy, they open the way towards a clean, sustainable supply of energy.

The BWT membrane competence centre, FUMATECH, sees itself as a technological pioneer in the production of ion exchange membranes. It possesses extensive expertise in areas ranging from the synthesis of raw materials and consumables, through the processing of these materials to create membranes, to their technical application.

This know-how in the field of polymer synthesis, experience in the manufacture of foils and membranes and the use of membranes in technical products are applied in the development and mass production of proton-conducting membranes for all well-known polymer electrolyte membrane (PEM) fuel cells. With its own coating plants for the continuous manufacture of membranes, FUMATECH is already equipped to supply membranes on both a pilot and production scale.

FUMATECH's core competence focuses on the heart of the fuel cell: the proton-conducting membrane fumapem®. New applications for fumapem® membranes can be found in the market for batteries, particularly in the storage of renewable energy in large-scale electrochemical storage devices such as vanadium redox batteries.

PEM cells dominate the market

From a commercial point of view, the driving force of global activities in the fuel cell market is currently the PEM fuel cell, one of the low-temperature fuel cells (PEM; DMFC: direct methanol fuel cell). Operating temperatures of below 200°C make less exacting demands on the material used for the cell and stack components, which in turn leads to lower material costs. However, a potential disadvantage compared with high-temperature fuel cells (MCFC: molten carbonate fuel cell; SOFC: solid oxide fuel cell) is that the gas purity of the fuel needs to be higher. But for the majority of current commercial applications of the PEM, which involve the use of pure hydrogen, this is not an issue – which accounts for the higher level of commercialisation. While PEM fuel cells are increasingly being used in the small-capacity range for numerous mobile applications and reaching a wide range of niche markets as a result, the focus of MCFC and SOFC is more on applications in small power stations. This is due not only to the prevailing high temperatures (650°C – 1000°C), but also their suitability for combined heat and power generation.

Market trends in 2011 and applications

In certain (niche) markets, fuel cells have successfully made commercial headway. However, in other key areas the technology is still strongly reliant on funding or still in the prototype stage. According to FuelCellToday, worldwide sales of fuel cells in 2011 grew by 40% to around 230,000. But in the individual application areas this trend differs significantly. The portable market dominated with 95%. More than 97% of sales here were for polymer electrolyte membrane (PEM) fuel cells. When it comes to number of units, Europe is ahead of North America and Asia, but in terms of installed output, North America and Asia lead the way due to the high number of stationary applications.

Stationary applications

The market for stationary applications can be divided into three segments: large-scale units in the megawatt range for primary energy generation, for example in combination with wind turbines, backup and standby systems for telecommunications and key infrastructural facilities, and combined heat and power generation systems such as those used in homes.

The growth of alternative energies (solar, wind, water, biomass) in particular offers excellent prospects not only for fuel cells, but also for high-performance batteries (vanadium redox with liquid electrolytes, metal-air). The electricity generated irregularly by 'green' methods can be stored in the form of electrolysis-generated hydrogen or water and accessed as needed.

In domestic applications, fuel cells can be used in heaters that operate with natural gas as well as in new buildings or when energy-efficiency improvements are carried out in existing buildings. The micro-combined heat and power generation systems simultaneously generate heat and power with comparatively high efficiency levels. The past few years have seen the increased development and testing of not only PEM cells, but also SOFCs (solid oxide fuel cells) and Stirling motors. These systems are expected to be ready for series production in 2012 and for market launch in 2016 at the earliest. As part of the Callux project, more than 700 fuel cell heaters are currently undergoing practical testing in Germany alone. More than 13,000 systems are currently in use in Japan as part of the Ene-Farm project, and Toshiba is planning to sell 15,000 of the new-generation systems in 2015 alone. The total output of these systems is somewhere between 1 kW and 3 kW – around one-third of which is electricity and two-thirds heat. The focus in the USA is more on higher outputs of around 5 kW (e.g. in schools and hotels supplied, for example, by ClearEdge Power).

Mobile applications

Another promising application for fuel cells is vehicles. In some countries, fuel cell cars can be leased from many major manufacturers in preparation for their market launch in 2015. The development and launch of electric vehicles are important milestones here. As current registration figures show, 2011 saw the sale of around 50,000 electric vehicles worldwide. In key markets such as Germany, however, the number of registrations has fallen well short of expectations, which can be attributed in part to a lack of funding incentives, high costs and some fundamental drawbacks of battery technology.

Fuel-cell-driven vehicles are superior to battery-driven vehicles: they are faster and, above all, have a much longer range – ranges of 400 kilometres or more are no problem whatsoever. And instead of requiring several hours to recharge, they only have to be connected to a hydrogen fuel pump for a couple of minutes. However, massive investment needs to be made to increase the availability of hydrogen –

preferably from sustainable production. In response, Daimler and Linde announced at the start of June 2011 that they plan to build 20 new hydrogen filling stations within three years. This would mean that as of 2014 Germany would benefit for the first time ever from a fully integrated north-south and east-west network. There are currently seven hydrogen filling stations in Germany. Japan plans to have 100 hydrogen filling stations by 2015.

Daimler is planning to begin the large-volume production of fuel cell vehicles in 2014, potentially also in partnership with Renault-Nissan. Opel (GM) sees fuel cells primarily as 'range extenders' for electric vehicles and expects to launch production in 2015. At the start of 2011, Hyundai-Kia Motors concluded agreements with Denmark, Iceland, Norway and Sweden to deliver fuel cell vehicles and to set up a hydrogen infrastructure. In all, eight of the world's biggest automotive manufacturers have announced their intention to introduce fuel cells by 2015.

The technological progress here backs up these intentions. Significant progress has been made when it comes to increasing the critical energy density, which has more than doubled since 2005 and allows the fuel cell stacks to be made much more compact. Nissan's fuel cell currently has a density of 2.5 kW/l and takes up half as much space. Overall costs are just one-sixth of what they were in 2005.

Portable applications

Portable applications are considered an instant opportunity for launching fuel cells. Typical applications include anything from mobile phones and notebooks to portable power generators for leisure applications. In these small systems, the hydrogen can be transported in the pressure cylinder or in a metal hydride storage system. Some manufacturers of electronic devices also use methanol as a fuel, which – as Motorola has shown – can be reformed to hydrogen, or – as Samsung has shown – can be converted directly to electricity in a direct methanol fuel cell.

Products

As a producer of polymers and membranes for energy storage, FUMATECH can offer tested polymers for all applications. Both perfluorosulfonic acid and non-fluorinated hydrocarbon membranes are used in various fuel cells. Chemically stable anion exchange membranes are produced specifically for redox batteries, but also find application in platinum-free fuel cells and water electrolysis.

Type of membrane	Operating temperature	Product	Energy carrier	Applications
Low temperature (Type 1)	Max 85°C	fumapem F, S	H_2	stationary, portable
Average temperature (Type 2)	Max 120°C	fumapem FZP, S	H_2	stationary, mobile
High temperature (Type 3)	Max 170°C	fumapem AM	H_2, reformate	mobile, stationary
Direct methanol fuel cell (Type 4)	Max 70°C	fumapem ST, P	CH_3OH	portable
Battery membranes	Environment	fumapem FAP, AM	Vanadium, zinc	stationary, portable

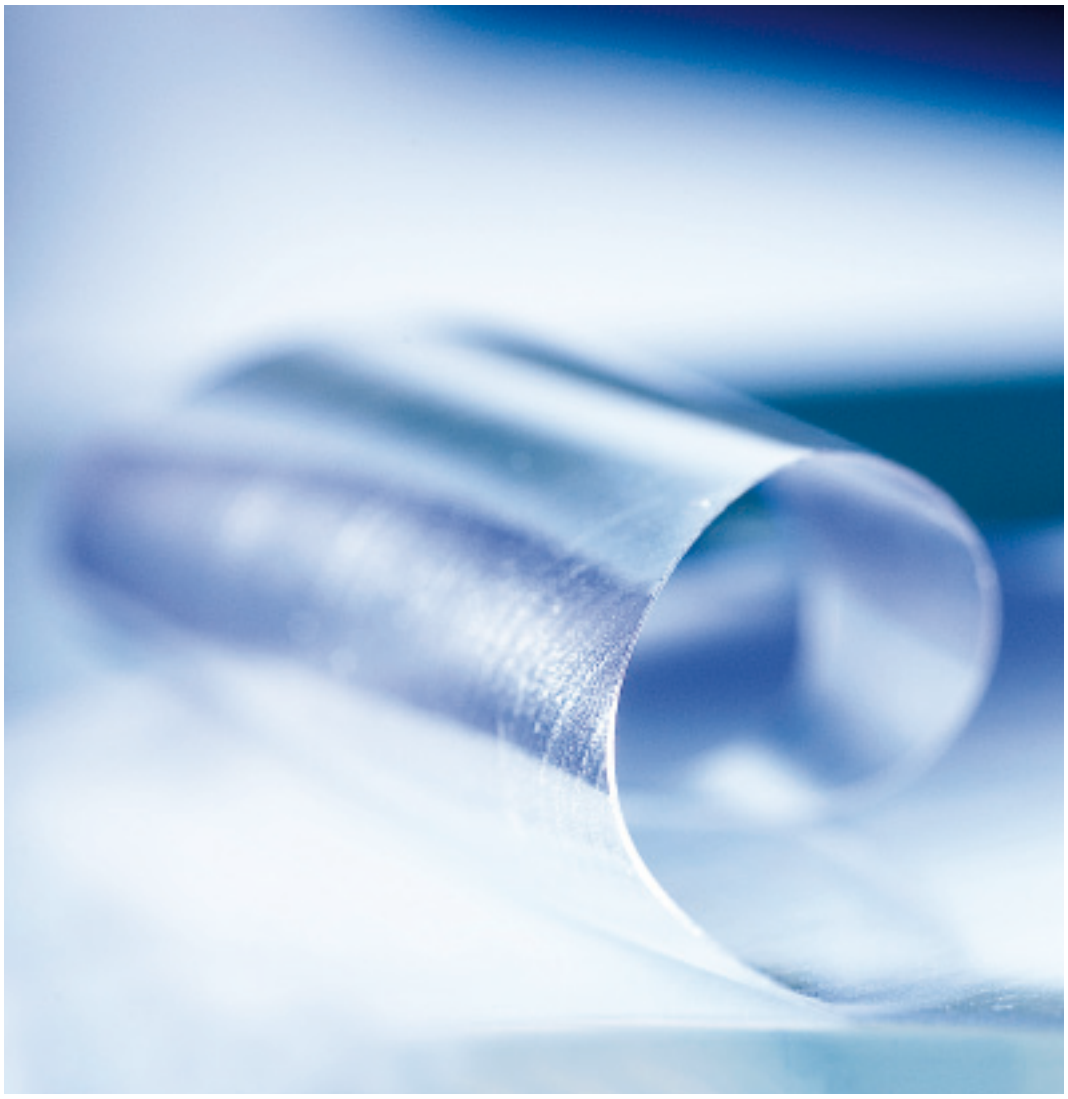
FUMATECH has strategically positioned itself as component supplier. Its potential customer group involves primarily well-established manufacturers of membrane electrode assemblies (MEA) and battery manufacturers. This strategic positioning allows the company to successfully combine the strengths of innovative development and a wide variety of patents with manufacturing experience related to the production of membranes for water treatment, a clear distribution-oriented approach, and minimum risk exposure.

Continuing research partnerships – FUMATECH in 2011

To ensure the sustainability of work at FUMATECH and secure its market position in the long term, the research partnerships already agreed in the past are being extended in 2011. The most important R&D partners in Germany include various institutes of the Max Planck Society, the Fraunhofer Society and the Helmholtz Institute.

The objective of the current work is to make improvements in production, and successfully work through the new supply contracts concluded in 2010. Within the framework of European research cooperation, FUMATECH is carrying out a number of projects specifically for automotive and stationary application of fuel cells and batteries. At the same time, catalyst coated membranes are being developed for water electrolysis. In a new project aimed at the mass application of fuel cells, the recovery of precious metals and polymeric materials from aged fuel cell modules is being examined.

The marketing of FUMAGEN®, which began in 2010, was successfully expanded in 2011. This new type of membrane-based electrolysis makes it possible to produce a salt-free hydrochlorous acid, which is initially being marketed for "cleaning-in-place" (CIP) facilities in the food and beverages industry. The promising sales opportunities are primarily thanks to the environmental benefits, safety and system service life compared with conventional competitor systems. A large soft drinks manufacturer has certified the system for global rollout.



For You.

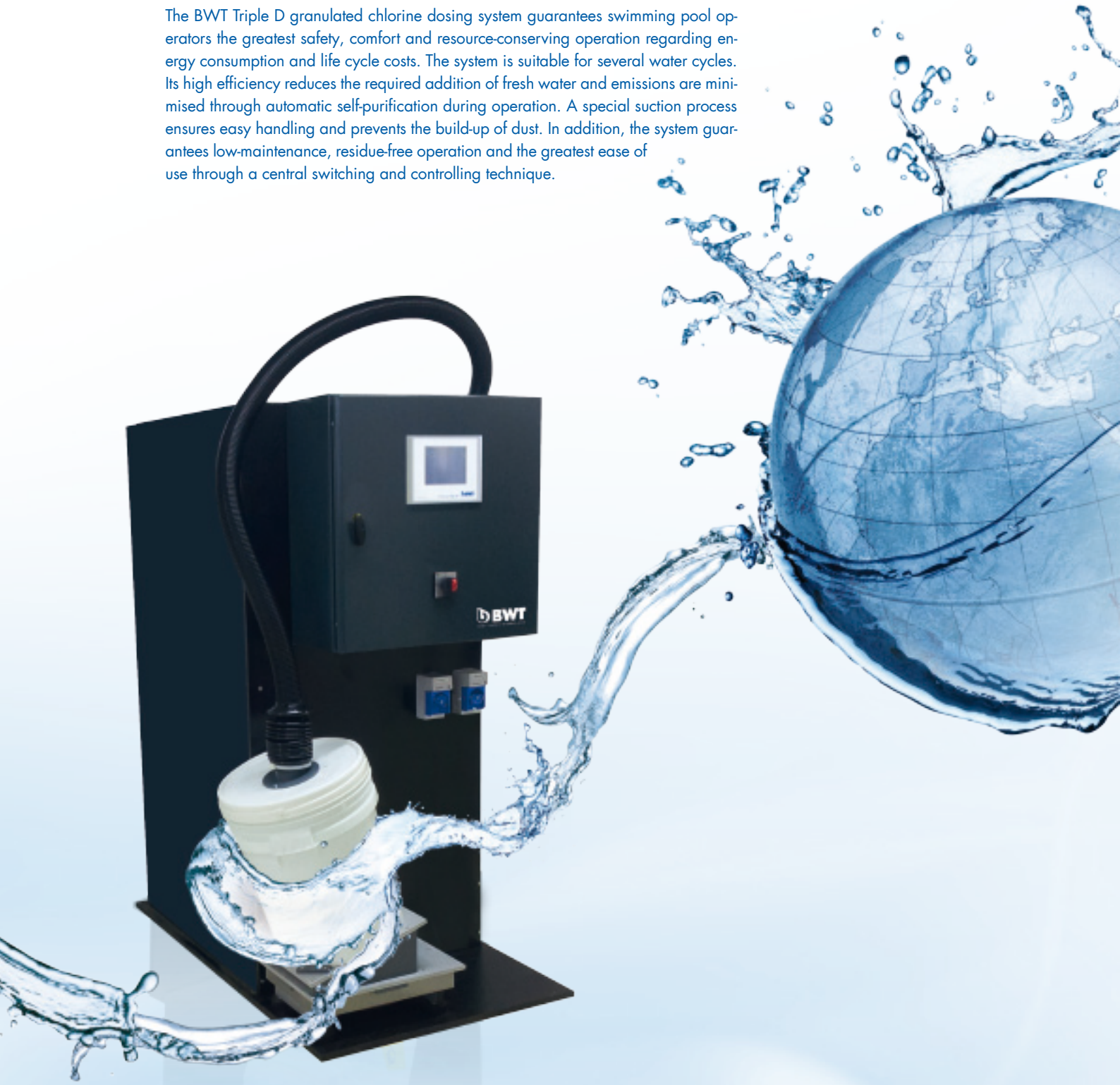
Safety and hygiene for every pool guest

Germs also feel happy in warm water, especially in pools where there are many people and a high influx of particles. With BWT Triple D, relax in crystal-clear hygienic swimming pool water and enjoy the safety of the highest standard of hygiene. You can be sure of having done the best for the protection of your pool guests. As an operator, you profit from top efficiency, simple handling and high operating safety.

For Planet Blue.

Highest safety for people and the environment

The BWT Triple D granulated chlorine dosing system guarantees swimming pool operators the greatest safety, comfort and resource-conserving operation regarding energy consumption and life cycle costs. The system is suitable for several water cycles. Its high efficiency reduces the required addition of fresh water and emissions are minimised through automatic self-purification during operation. A special suction process ensures easy handling and prevents the build-up of dust. In addition, the system guarantees low-maintenance, residue-free operation and the greatest ease of use through a central switching and controlling technique.



Sustainability – a key aspect of our corporate culture

Ever since the company was founded in 1990, the letters BWT – Best Water Technology – have represented the goal, mission and solution of our global challenge – water treatment with responsibility. "BWT – For You and Planet Blue" conveys our claim to take ecological, economic and social responsibility, to offer our partners and customers the best products, facilities, technologies and services across all water treatment applications and at the same time to make a valuable contribution to protecting the worldwide resources of our blue planet. We are convinced that sustainability is a major driver of innovation.

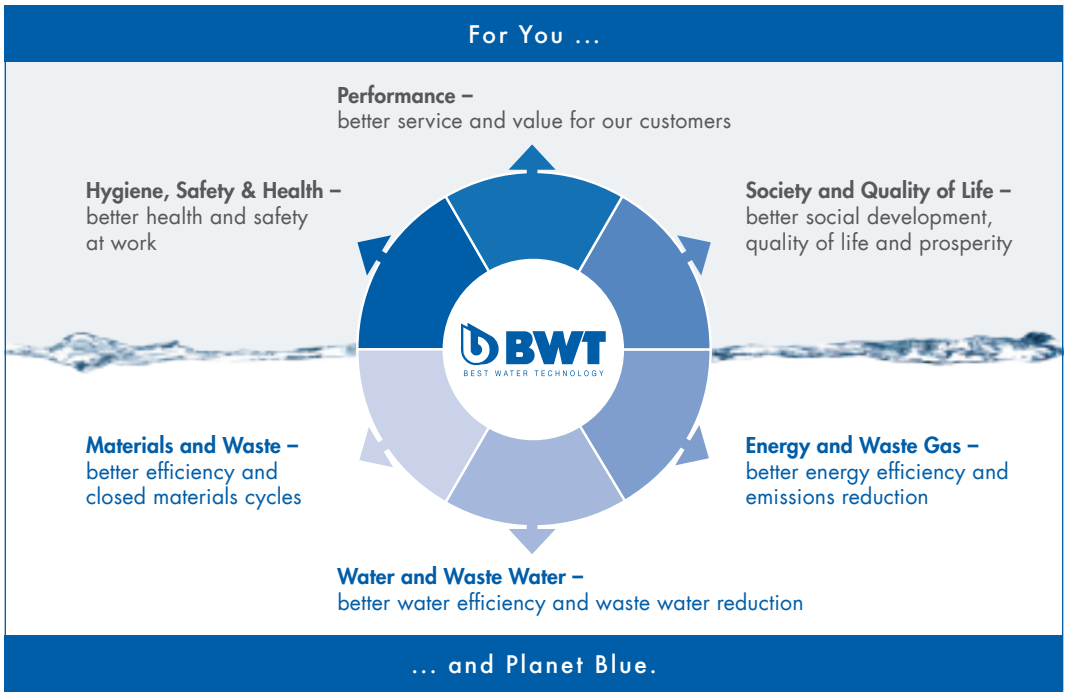
"Sustainability is a major driver of innovation in our company."

Closely associated with this is our goal of pursuing long-term, entrepreneurial sustainability in all activities throughout the value chain. Along the path to this goal, we have anchored our mission in our company concept, which encapsulates our corporate and brand values and serves as a guiding light to our 2,800 or so employees. Due to the increase in world population, prosperity, consumer needs and the corresponding consumption of resources, an adequate and sustainable supply of water is a global challenge. However, in many regions the supply of freshwater from the ecosystem is reaching its limits ("water stress") due to overuse. The global task essential in order to preserve sustainable life on Earth

is therefore to break the link between growth and quality of life on the one hand and emissions and the consumption of resources on the other. Our contribution as a company lies in the development of water technology products and services aimed at supplying the best possible water, regardless of source, using fewer and fewer resources while maintaining or improving service levels.

Our areas of activity and goals

In order to achieve long-term corporate success, we need to be guided by specific principles when taking day-to-day business decisions. In accordance with our mission we have therefore defined six strategic areas of activity by which to measure our actions. The category "For You" reflects our value creation and comprises the provision of products and services, initiatives relating to hygiene, safety and health, and the aspects quality of life and society. For You is therefore directed towards all our stakeholders. The category "and Planet Blue" is concerned with the use of resources and therefore reflects the environmental dimension of our activities. The focus of our work here is on materials input and waste, energy and waste gas emissions and water and waste water.



Our main goal is to test and develop new products in the light of these standards if advantages can be attained over either our own existing products or those of our competitors in at least one of these areas of activity. This is backed up by the BWT Code of Conduct, which reflects the ethical values of our business and provides our employees with guidelines for their daily work. Further important voluntary and statutory regulations are the BWT Compliance Guidelines, the Corporate Governance Regulations, the Management Handbook, the IT Policy etc.

Our CSR strategy and organisational framework

Our compliance system ensures that there is an organisational framework for the realisation of current statutory regulations as well as our voluntary, company-specific guidelines within the Group. The purpose of this is not just to avoid risks (product liability, penalties and fines), but also create a positive public image for the Company and its employees. Compliance is looked after at the highest level, i.e. in the Management Board, by Gerhard Speigner (CFO) in his role as Compliance Officer. He heads the compliance organisation, including those responsible for compliance in the holding company as well as in the Group itself.

Our stakeholders

Our most important stakeholders are: customers (including partners such as wholesalers, installers, planners and architects), employees, suppliers (market partners), the environment, society (authorities, associations etc.) and capital providers such as investor and banks. The following diagram shows the company departments included in stakeholder dialogue, along with the dimensions of our stakeholders:

BWT operating function	Stakeholder	BWT stakeholders and their dimensions
Finance	Capital providers (Investors, Banks)	Two major shareholders, 68% free float, ~50 larger institutional investors, hundreds of retail investors, banks; total €16.1 million in dividends, share buy-back, interest.
Personnel	Employees	2,795 employees (FTE) worldwide, 98% in Europe, staff costs: €157.4 million.
Research & Development	Environment (Product effects)	Economically and ecologically optimised water treatment products and processes, R&D expenditure €12.1 million.
Purchasing	Market partners (Suppliers)	Procurement volume: €288.2 million, several thousand suppliers.
Production	Environment	Four main production sites: Mondsee (A) Schriesheim (D), Paris (F), Aesch (CH); new investment: €21.6 million.
Marketing & Service	Customers and distribution partners	Revenues: €478.9 million from wholesale, retail, industry and municipality customers as well as planners and architects.
BWT Group total	Society	Authorities, social insurance providers; taxes, statutory payroll and social security charges, financial contribution: €37.2 million.

Sustainability-Progress Report 2011

The creation and expansion of the Point of Use segment acts as a catalyst for the sustainability strategy of the BWT Group as a whole. Within the context of the table water filter advertising campaign, new target groups are being addressed, thereby opening up fresh channels of communication and opportunities for dialogue. Within the framework of the current investment program, new state-of-the-art production capacities are being created. New products offer added user benefits with improved environmental properties. Water and BWT are both gaining in significance in our global society.

Customers

Our customers include wholesalers, installers, architects, planners and a large number of businesses and industrial companies from virtually all sectors, including the pharmaceutical industry, as well as municipalities (e.g. hospitals), which are served by our local branches, sales centres and service staff. Regarding point-of-use operations, end consumers and retailers acting as our agents are playing an increasing role. In 2011, the start of the table water filter media campaign in Germany and Austria opened up completely new channels for dialogue with stakeholders and contributed to a significant increase in awareness of the BWT brand. We generate 95% of our sales from customers in Europe. As well as introducing new products, our focus in 2011 was on training activities, growing our partner network ("drinking water professionals") and expanding the Mondsee production site in Austria.

The BWT table water filter – replacing bottled water with tap water

The increasing demand for good-quality drinking water in the home has contributed to a growth in both the bottled water and table water filter markets over the last few years. Not only does the BWT Mg^{2+} table water filter filter tap water and eliminate limescale and other undesirable and taste-altering substances, it also simultaneously enriches it with beneficial magnesium. In so doing, our unique filter technology provides you with water that tastes natural and fresh and also improves the flavour of tea and coffee. This mineralised water is therefore healthier than untreated mains water while offering ecological benefits over bottled water. According to a study conducted by the SVGW, the environmental impact of bottled water is up to 1,000 times greater than that of tap water.

Quality assurance applies both to our products (e.g. the continuous certification of new products in accordance with established standards such as DVGW and ÖVGW) and to our modern production facilities, some of which are new. At our largest production sites we have implemented quality management systems conforming to ISO 9001. Furthermore, environmental management and specific hygiene standards (food standards, HACCP) also apply across many areas. Within the context of the Point of Use strategy, a particular focus of our work in 2011 was on the further development of our product portfolio, ongoing investment in production facilities and the implementation of our marketing strategy. BWT was awarded the Upper Austrian Prize for Innovation for our patented Mg^{2+} technology. This new basis technology in the field of ion exchange provides customers with all the benefits of water softening while adding essential elements and significantly improving the taste of their drinking water and hot drinks (coffee, tea) made with it. The state-of-the-art Point of Use production at the Company's headquarters in Austria adheres to the highest quality and environmental standards.

Employees

The shallow hierarchical structure and locally-based organization of the BWT Group permits direct dialogue with employees. Over 50 employees in the Group serve as workers' representatives on workplace councils. As has been the case since the founding of BWT, there were no strikes or labour disputes in 2011. Training and apprenticeship, further training and health and safety at work are major focal points in employee development. Based on provisional calculations, around 42% of our employees took part in internal or external training schemes in 2011. We currently employ more than 50 apprentices and trainees, mainly in Austria, Germany, France and Switzerland. Over the last few years, over 90% of them have been offered permanent positions after completing their training. Overall, 11% of employees have completed apprenticeships. Data is also been collected on sick leave, occupational accidents and staff turnover. The statistics remain virtually unchanged from the previous

year. All our sites offer voluntary social benefits to varying degrees, and include gendering measures (flexible working hours, additional benefits).

Youth & apprenticeships

Many of our employees begin their working lives at BWT – and go on to make careers for themselves: around 11% of our staff have completed an apprenticeship. Each year we train some 50 apprentices within the BWT Group and offer a range of up to 13 different occupations. This training lasts for three to three-and-a-half years. During their first two years the apprentices pass through every area of the company. This rotation through the various departments gives the apprentices an excellent knowledge of the company and enables them to learn about their strengths and interests during the course of the two years. We also give our employees the opportunity to follow part-time training courses while working and respond to their individual needs by offering flexible working hours.

The group-wide Code of Conduct provides employees with a set of rules and regulations plus information on social standards (relating to SA 8000). It also includes a prohibition of bribery and corruption. The regulations are implemented at local level, and are the responsibility of middle management within the framework of the compliance organisation. A comprehensive handbook on management includes all the regulations applicable to BWT for the benefit of the group's management.

Suppliers

Adherence to BWT sustainability principles is to be safeguarded throughout the entire value chain. The appraisal of suppliers is based on sustainable dialogue and partnership, and helps them improve their performance even further. Procurement is carried out by means of a centrally-coordinated Group procurement mechanism on the one hand and, at local or regional level, by the procurement departments of local Group companies on the other. Procurement terms and conditions also include ethical and environmental standards. They include a ban on child labour, discrimination and corruption, as well as environmental compliance, particularly with regard to packaging. A system of regular audits of suppliers is being developed.

Environment

Within the context of the existing quality and environmental management certification (ISO 9001 and ISO 14001) in the segments Point of Use und Point of Entry, a particular emphasis is placed on the reduction of energy consumption and waste. Despite major successes achieved through the introduction of reusable packaging and logistics optimisation, energy consumption has increased further due to expansion of the Mondsee site. At 65%, the proportion of recycled material in the brass we procure has reached a high level and significant improvements have also been achieved in packaging. Recycling levels remain at a low level in the other input materials, however.

Biomass replaces fossil fuels

Since 2001, heating needs at our Mondsee production site have been met 100% from biomass from sustainable sources – sawmill by-products and wood chips from mills and dealers in the local region as well as Austrian State Forests. This represents direct savings of about 500 tonnes of CO_2 emissions from fossil fuels each year. The procurement of biomass from the local region also results in indirect savings of around the same level of CO_2 emissions compared to fossil fuels. As part of the expansion of our main site and Point of Use production facility in Mondsee, our level of procurement from the biomass plant will increase and in future will also cover direct hot water supply.

Based on provisional figures, the BWT Group's energy consumption in 2011 was about 51 GWh (previous year: 47 GWh), of which heating accounts for around 24%, electricity for 21% and fuel most of the remaining 55%. CO_2 emissions are caused primarily by the company's fleet of vehicles, while the rest result mainly from heating buildings. Proximity to our customers requires the intensive use of vehicles, which are employed by our employees mainly for the purpose of sales and service. Around 9,930 tonnes of direct and 4,460 tonnes of indirect CO_2 emissions were generated in 2011. As a result of the ongoing programme of expansion-related investment, a further increase in emissions is anticipated. However, this will be significantly slowed down and later reduced by the procurement of more economical vehicles with newer generations of engines as well as the optimisation of operational and route planning.

Group IT – Green IT

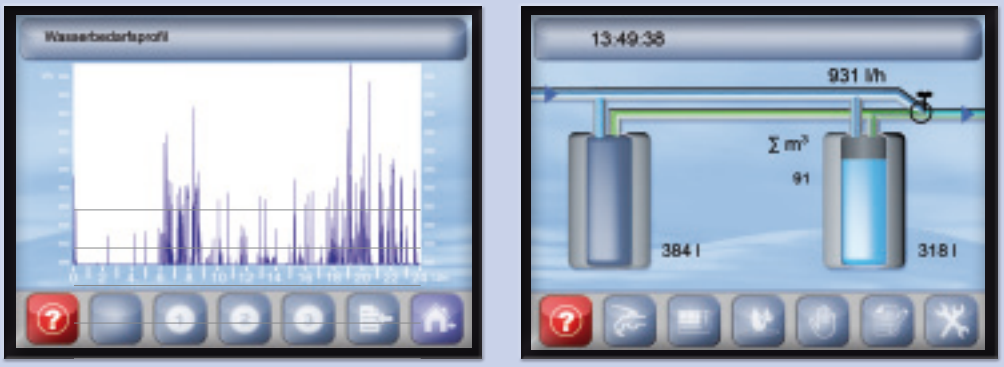
In use 24 hours a day, 7 days a week, 365 days a year: over the last few years the volume of data generated by the company and with it our IT infrastructure has grown considerably. In 2011 the servers installed at our main Mondsee site were quickly and simply consolidated thanks to the technique of "server virtualisation." We were able to reduce the number of hardware systems from 55 servers to 3, reducing power consumption and running costs and benefiting the environment. On this basis, the saving in annual electricity consumption is projected at around 172,000 kWh or 27 tonnes of CO_2.

Provisional figures put the annual waste generated in 2011 at 2,160 tonnes, representing a reduction of 9% on the previous year. Paper and cardboard represented the largest category, accounting for almost one third of the total. All our large sites have concluded contracts with recycling and waste processing firms so that used materials may be collected and disposed of professionally. Used materials are segregated into the main categories paper/cardboard, valuable materials (including foil), wood and metal and old appliances (from customers) are collected and removed. The metal shavings that accumulate during production are passed on to a metal processing company. Similarly, old oils and lubricants are collected by a certified waste disposal company. Climate certificates to the value of 150 tonnes of CO_2 have been credited for 2010 to the company in return for the recycling of packaging waste.

In the products sphere, for many years BWT has been using the most modern water technology processes, not only representing state-of-the-art technology but also, in many cases, setting new standards. Many of our products are made with this new technology, guaranteeing a longer life and higher capacity. Backwash filters, water softening facilities, AQA total, UV and ozone disinfection plants, membrane systems and complete installations, as well as the heating protection programme, are just a few examples.

AQA perla & Rondomat Duo S – the world's most efficient water softening systems

BWT water softening systems are the most efficient – and therefore ecologically sound – in the world. The new Soft-Control III control system, used among other products in the new BWT AQA perla generation, reduces the consumption of regeneration water by an average of 13% relative to the previous model. This saving reduces freshwater and wastewater consumption thanks to a new pressure control process technology. Standby electricity usage has also been reduced by over 50%.



Soft Control III – the new intelligent control unit for BWT softeners.

Society

In 2011, the BWT Group paid approximately 31% (previous year: 27%) of its earnings in taxes (€6.1 million). In addition, other taxes and charges came to €2.9 million (previous year: €2.5 million), and statutory tax and social security contributions came to €28.2 million (previous year: €27.7 million). As in previous years, the company supported various relief projects in 2011, making financial donations and assisting projects in developing and emerging countries as well as helping employees and others in need in the region. In addition, it also supported sporting clubs and young sportspeople through sponsoring initiatives.

Hygiene, safety and health and an assured supply of drinking water are of key importance to the development of our society. As a supplier of state-of-the-art water technologies, BWT makes a significant contribution in this area. BWT has strong regional roots and is a major employer in many locations. About 90% of the Group's companies are led by local managements. On average, two-thirds of our purchases are made locally in the countries where our business activities are based.

The mineral magnesium – Mg^{2+} – essential for health & sport

Amin Vogel is one of the biggest talents in Austrian judo. The 15-year-old has won 50 national and international tournament victories over the last 11 years and has qualified for the European Championships in his first year as a junior. He is currently a member of the national junior squad. A pupil of the Salzburger-Schul-Sport Modell (SSM), a public high school specialising in competitive sport, Amin is a member of the PSV Salzburg club. His trainer Taro Netzer on the subject of healthy water: "Water and the quality of what we drink plays an enormous role in our sport. Because judo is a sport in which competitors are classed by weight, it is common to reduce weight through water loss – above all on the last day before a competition. Given that we have to be economical with our water intake, the content of minerals and trace elements in the water is enormously important. This is also applies to competition day, on which up to six individual fights can take place. During the breaks, liquid is permanently taken in, whereby too large a quantity could cause problems in the next fight. That is why here too, the quality of the liquid taken in is of crucial importance."

For You.

Best water for medicines, vaccines and cosmetics

You rely on a long life and good health, and the best care and treatment during illness. Water is an essential ingredient for the manufacture of pharmaceutical, biotechnology and medical technology products. The world's leading manufacturers of medicines, vaccines and cosmetics rely on the BWT SEPTRON® Biosafe electrode ionisation module, which produces highest-purity water according to the strict criteria of the pharmacopeia.

For Planet Blue.

Maximum efficiency and minimum energy requirements

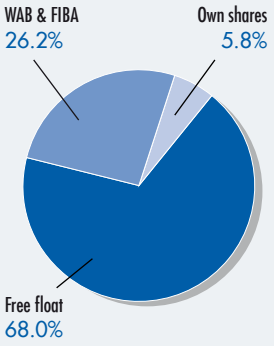
The EDI module SEPTRON® developed and patented by BWT produces highly purified water through electrochemical demineralising, i.e. without the use of regeneration chemicals, and thus constitutes a very environmentally friendly form of water treatment. The unique integration of ultrafiltration into an EDI module in SEPTRON® Biosafe offers several advantages compared with an independent ultrafiltration unit: apart from less need for space, as a result of its compact dimensions SEPTRON® Biosafe guarantees maximum efficiency through a 100% water yield as well as minimum energy requirements per cubic metre of water produced.

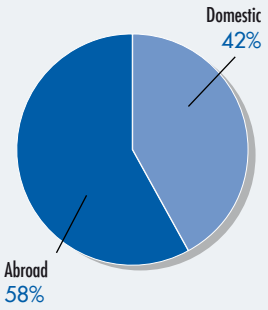
BWT – For You and Planet Blue.

The BWT Share

Data and facts about the BWT share	
Number of shares	17.8335 million*[1], issued to bearer
Free float	68.0%
ISIN	AT0000737705
Bloomberg code	BWT AV
Reuters code	BWTV.VI
Main trading center	Vienna Stock Exchange
ADR program	Level 1, 1 ADR=1 Aktie, Bank of New York Mellon
Minimum price 2011	€ 10.90 (as at 25.11.11; 2010: € 17.97)
Average price 2011	€ 17.36 (2010: € 19.68)
Maximum price 2011	€ 22.62 (as at 3.1.11; 2010: € 23.22)
Year-end price 2011	€ 13.055 (2010: € 22.00)
Market capitalization	€ 233 million (as at 29.12.11; 30.12.2010: € 392 million)
Trading volume per day	19,745 shares (double counting, Vienna Stock Exchange, 2011)
Trading turnover per day	0.390 million € (double counting, Vienna Stock Exchange, 2011)
Index membership	ATX Prime, ViDX, WBI, S&P Global Water Index, NX-25 (ÖKO-INVEST), NAI (Natur-Aktien-Index), VÖNIX, Global Challenges Index (oekom)
Broker research	Erste Bank, HSBC Trinkaus & Burkhard, Goldman Sachs, Kempen & Co.

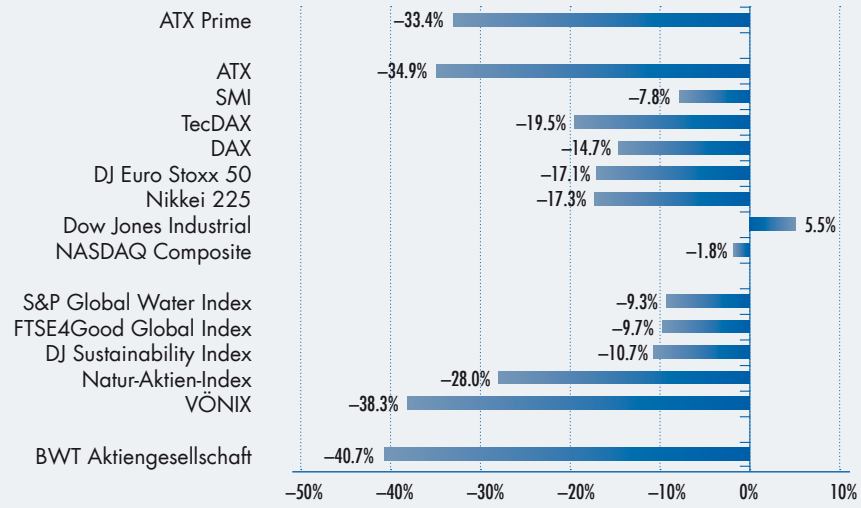
Shareholder structure





** thereof roughly 1.0 million treasury shares as at 31.12.2011. More information ont the BWT share buyback on www.bwt-group.com in section Investor Relations.*

Index performance 2011



Information per share	2011	2010	Change
Earnings (€)	0.80	1.32	–39%
Dividend (€)	0.28*	0.40	–30%
Book value (€)	9.12	9.19	–1%
P/E maximum	28.3	17.6	–
P/E minimum	13.6	13.6	–
P/E year-end	16.3	16.7	–

** Proposal to the Annual General Meeting*

BWT shares in 2011

In the first few months of 2011, the capital markets continued to recover on the strength of positive economic data despite the earthquake and nuclear disaster in Japan. In the summer months, however, the debt crisis and fears of imminent state bankruptcies once more came to the fore. Euro countries Greece, Spain and Italy were under the spotlight and facing sharply increasing borrowing costs. There was also significant tension on the interbank market, reminiscent of the crisis in 2008. In order to calm market fears, the European Central Bank intervened and bought government bonds of highly-indebted states. At the same time, economic indicators worldwide grew bleaker fuelling anxiety on the stock markets.

Although the turbulence in Europe put intense pressure on US stock exchanges, particularly over the summer months, the Dow Jones industrial index picked up from the annual low of 10,404 reached in October, achieving a 5% rise for the year by the year-end. Following a rise of 16% in 2010, the German share index, the DAX, achieved an annual high of 7,600 in spring 2011. However, the value slumped in August due to the sovereign-debt turbulence in the euro zone and economic uncertainty bringing the index down below 5,000 points. A brief recovery limited the loss for the year to -15%.

Significantly higher risk aversion on the part of investors and the high level of commitment in Eastern Europe on the part of many companies listed on the Vienna Stock Exchange companies caused a 35% drop in the Austrian share index, the ATX, following a 16% increase in the previous year. A second rise since the crash in 2008 and the solid recovery in 2009 which began towards the middle of 2010 came to an end in early 2011 after a period of fluctuations at the same level. The year's high came in February at 2,952 and a sharp fall beginning in August resulted in a low for the year at the end of November of 1,638 points.

The number of trading members directly admitted to the Vienna Stock Exchange remained more or less unchanged in 2011 at 94, previously 97, (of which 55 were foreign). However, some important market players significantly reduced or withdrew their activities locally. The monetary turnover in domestic shares fell 18% compared with the previous year to € 59.7 billion. However the trading volume increased by 6% compared with the previous year. As at 29 December 2011, market capitalisation was € 65.7 billion (year end 2010: €93.9 billion).

There was no uniform picture for the sustainability indexes in 2011. Hopes of a rapid change in energy policy in the wake of the nuclear disaster in Fukushima towards renewable energy sources were dashed. Overcapacity, declining feed-in tariffs and strong competition turned 2011 into a crisis year in particular for the solar energy industry – the photon photovoltaic share index lost around 61%. No tangible progress was made at the climate summit held in Durban, South Africa in December 2011 either. The broadly diversified indexes fell back some 10% in 2011, the sustainability indexes with strong regional or industry-specific bias also suffered sharp falls. The average performance of the approximately 110 environmental investment funds monitored by ÖKO-INVEST was down 16%.

The supply of sustainable public funds in Germany, Austria and Switzerland grew slightly in 2011, according to the Sustainable Business Institute (SBI). As at 31 December 2011, 357 funds were admitted to trading in the German-speaking countries, whereas at the end of 2009 there were only 313. Volume however is down. Thus for 31 December 2011, the SBI states that there was a volume of about €30 billion, while at the end of 2010 it was a total of €34 billion. 36 new funds with a volume of approximately € 2.5 billion were established in 2011, 33 were merged or closed.

After a performance of +76% in 2009 and +13% in 2010, at the end of 2011 the BWT share lost 41% compared with the previous year – despite the significantly higher free float and the share buy-back. The high for the year, €22.62, was reached right at the beginning on 3 January 2011 and the low of €10.90 on 25 November 2011.

Within the ATX Prime index, the BWT share ranked 29th in terms of its market capitalisation and 30th in terms of trading volume, unchanged from last year. With a trading turnover (annual volume of money) of about €97 million in 2011, the liquidity of the share was some 19% down while the trading volume was only around 7% lower. The average daily turnover of 19,745 (previous year: 24,071) was 18% down on the figure for the previous year.

The free float increased during 2011 from 49% to 68% (not including treasury shares). WAB-Privatstiftung and FIBA Beteiligungs- und Anlage GmbH increased their holding from 18.9% to 26.2% while Beleggingmaatschappij Ysro b.v. surrendered their 31.5% holding in three stages.

In 2011 too, BWT AG continued its share buyback programme and repurchased 396,226 BWT shares. As of the end of 2011, the holdings of own shares therefore totalled 1,039,339 or 5.8% of shares issued. The market value of the own shares was €13.6 million at the end of the year. The authorisation for the share buyback expires at the date of the Annual General Meeting on 24 May 2012. More detailed information on the share buyback is available on the homepage at www.bwt-group.com.

Despite clear growth – in the last 20 years, revenues grew by an average of 7% per year – BWT is committed to a stable dividends policy. On average, during the past 10 years, roughly 30% of the net profit has been paid out to shareholders. In 2011, the payout ratio was also 30%, equalling €6.7 million for shareholders. Due to the decline in earnings in 2011 to €0.80 per share and the ongoing high level of investment, the Management Board will propose a dividend of €0.28 per share to the Annual General Meeting in May 2012.

Investor Relations

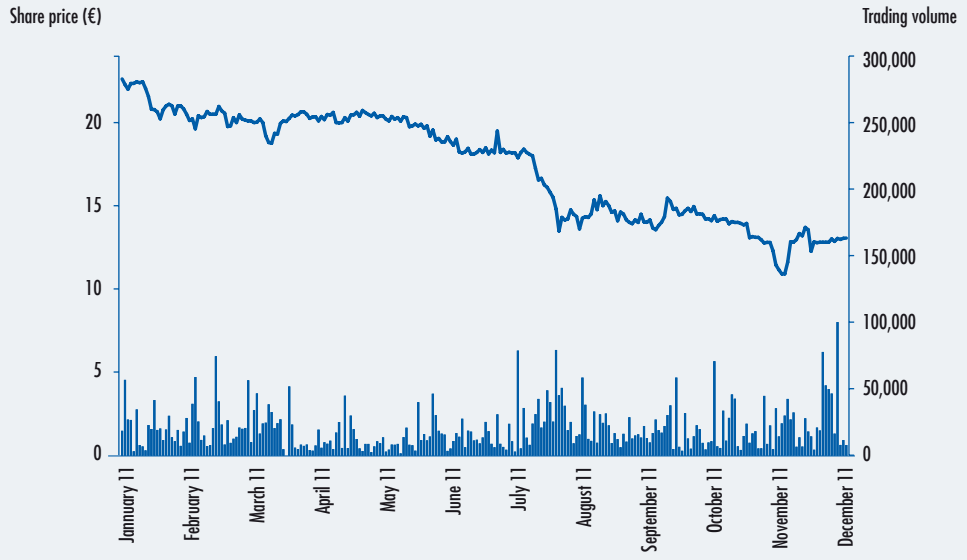
As a listed public limited company, BWT AG offers all interested investors the possibility of participating in the area of water and in our development as the leading company in water technology.

The objective of our IR work is to present as true and fair a picture as possible of the company and its potential for development in its markets, therefore creating a good basis of information on which to arrive at a sustainable decision to invest in our company. A transparent information policy, our commitment to the Austrian Corporate Governance Code and an active approach towards investors form an integral part of this strategy.

Sustainability and corporate social responsibility have become an ever more important aspect of our IR work in recent years. In addition to the traditional major investors' conferences and local retail events, we increasingly take part in specialised, Europe-wide SRI conferences, which particularly bring together sustainable companies and the growing number of ethical, CSR and SRI funds.

Analyses of and reports on the BWT share were published in 2011 by the following banks: Bank Austria (UniCredit), Erste Bank, Goldman Sachs, HSBC Trinkaus and Kempen & Co. With effect from November 15, UniCredit ceased the long lasting coverage of the BWT share, on the other hand side, the Dutch brokerage focusing on sustainability, Kempen & Co., initiated research on BWT. In order to further improve investors' familiarity with the BWT share and its unique positioning, in 2011 we participated in a total of 7 (previous year: 8) international investors' conferences and roadshows as well as a series of local private investor and sustainability events. An up-to-date roadshow calendar can be found on our website, as can further, comprehensive information about the BWT share.

BWT price chart 2011



Source: Wiener Börse AG

Information and contact:

Website:	www.bwt-group.com/en/investor-relations
Investor Relations:	Ralf Burchert, CEFA
Shareholder telephone:	+43 (0) 6232/5011-1113
E-Mail:	investor.relations@bwt-group.com

For You.

A refreshing gulp from the bottle

You refresh yourself while travelling or after sport with a cool bottle of mineral water, lemonade or fruit juice. As a bottling plant operator, rely on the highest standards of hygiene during bottling operations for absolute germ-free beverages, thanks to BWT fumaGen as disinfectant in your bottling plant. BWT fumaGen® technology allows sustainable and safe disinfection, with a significant shortening of the necessary cleaning intervals and consequently greater system availability.

For Planet Blue.

Maximum efficiency and minimum energy requirements

The novel membrane electrolysis in BWT fumaGen leads to significant savings of water, energy and process chemicals. The on-site and demand-optimised production of highly effective disinfectants provides the necessary microbiological safety for both the products and the manufacturer. The unique membrane electrolysis cells offer excellent protection against corrosion and troublesome by-products. Energy consumption is reduced and the transport and storage of disinfectants becomes superfluous.

BWT – For You and Planet Blue.

Corporate Governance Report
pursuant to para. 243b UGB (Company Act)

BWT – For You and Planet Blue is also evidenced by responsible management including a high degree of visibility for all stakeholders. Since going public in 1992, BWT has been pursuing the goal of sustainable ecologically and economically-oriented value generation.

BWT complies with the Austrian Corporate Governance Code, a regulation framework of standards for sound management and supervision of the company. This includes the standards of good corporate management common in international practice (OECD Principles, EU Transparency Directive) but also the important significant provisions of Austrian corporation law in this respect (Börsegesetz, Gesellschaftsrechtsänderungsgesetz 2005, Unternehmensrechtsänderungsgesetz 2008). This enables a high level of transparency for all stakeholders of the company. The Code is publicly accessible on the homepage of the Austrian Working Group for Corporate Governance on www.corporate-governance.at.

To avoid insider trading, a policy based on the Emittenten-Compliance-Verordnung (ECV – Regulation on Compliance for Issuers, current version: 2010 with amendment of February 1st, 2012) of the Austrian Financial Market Authority is implemented in the company by the Compliance Officer. The Code of Conduct which came into force in 2007 was amended in 2010 and is aimed at all employees and includes all the principles of conduct. It provides guidance on the fundamental ethical and legal duties of BWT employees.

The new Corporate Governance Code 2012 has now come into force – an evolution of the first version formulated in 2002 and amended in 2006, 2009 and 2010. The improvements primarily relate to the diversity rule of the Supervisory Board and new rules to improve the co-operation of the Supervisory Board and the Auditors. Further changes refer to fighting corruption and the restriction of former Management Board Members to take Supervisory Board positions.

The Code comprises three rule categories:

1. Legal requirement ("L") – including compulsory regulations
2. The "C" rules (Comply or Explain) in the Austrian Code of Corporate Governance are to be followed; any deviation must be explained and the reasons stated in order to comply with the Code
3. Recommendation rules ("R")

BWT applies the Corporate Governance Code in the version 2012 in full with the following explanations:

The Executive Board

The Management Board consists of Mr. Andreas Weissenbacher, born 1959, Chairman of the Executive Board since 8/1/1991 of BWT AG; Mr. Weissenbacher is responsible for the operational business and for the departments Research & Development, Purchasing, Human Resources, Marketing and Investor & Public Relations. Mr. Gerhard Speigner, born 1960, since 1/5/1996 Chief Financial Officer is managing the departments Finance & Controlling, Treasury, Information Technology, Law, Taxes & Risk Management. Both members of the Management Board are appointed until 20/9/2015. This organization allows a high flexibility and an efficient operation in the Management Board.

The share of female employees of the BWT Group is roughly 28%, the share of management roughly 10% and in the Supervisory Board 20%. Gendering measures include opportunities to better balance job and family like flexible working time (eg part time work) and home office.

The Supervisory Board

The Supervisory Board is composed of five members with high and long term personal qualification and experience in business administration and legal affairs elected by the General Meeting. In the Annual General Meeting 2011 all members were newly elected. Instead of Mr. Klaus Kastner who has left the Board, Dr. Helmut Schützeneder was appointed for the first time. Four members have been serving for more than 15 years. All members are Austrian citizens.

Supervisory Board member	First appointed	End of current term
Dr. Leopold Bednar (Vorsitz, born 1948)	5. July 1991	AGM 2016
Dr. Wolfgang Hochsteger (Stv. Vs., born 1950)	5. July 1991	AGM 2016
Gerda Egger (born 1964)	24. May 1996	AGM 2016
Dipl. Vw. Ekkehard Reicher (born 1941)	24. May 1996	AGM 2016
Dr. Helmut Schützeneder (born 1944)	25. May 2011	AGM 2016

Dr. Schützeneder is Member of the Supervisory Board of Fabasoft AG. None of the Members of the Supervisory Board of BWT AG assumed supervisory board mandates or similar functions in domestic or foreign stock listed companies in the period under review.

Independency of the Supervisory Board

"Independent" in the sense of the blanket clause of Rule 53 refers to Members of the Supervisory Board whose business or personal relationship with BWT AG or its Management Board does not constitute a material conflict of interest allowing the Member's behaviour to be influenced. The criteria for independence are set in accordance with the guidelines of the Corporate Governance Code (Annex 1). The Supervisory Board thus comprises the following independent members:
Dr. Leopold Bednar, Dr. Helmut Schützeneder

Committees and activities of the Supervisory Board

The Supervisory Board of BWT AG is made up of experts of various disciplines with regular meetings on issues like strategy, balance sheet and personnel of the Group. Within this scope, the Supervisory Board of BWT AG is also involved in important decisions of the Management Board as an advisory body.

Apart from the Audit Committee there is no committee established by the Supervisory Board of BWT AG. The following persons of the Supervisory Board form part of the Audit Committee: Dr. Bednar as Chairman, Ms. Egger and Mr. Reicher. The Audit Committee held 2 meetings in the year 2011 at which the year-end accounts and analysis and the internal control, revision and risk systems were discussed. The auditors attended both meetings.

In the year 2011, the Supervisory Board held 4 ordinary meetings. The average rate of presence was 100%. No Member of the Supervisory Board missed a meeting. The main activities of the Supervisory Board in the reporting period are detailed in the Report of the Supervisory Board.

Internal auditing

The internal auditing duties are being performed by the Group Finance, Group Controlling, Group Treasury and Tax/Risk Management departments. The Management and Supervisory Boards are given regular reports about important results of these activities.

Report on the compensation of the Management Board

Management Board compensation is determined by the scope of duties, responsibility and the personal performance of the Board Member as well as the achievement of company targets, size and the economic health of the company. At BWT AG performance-related compensation is not made with share options, but dependent on long-term and sustainable performance criteria. These include predefined goals regarding company results, qualitative and quantitative goals.

In 2011, 78% of the total remuneration of the Management Board was fixed and 22% performance-related. No value has been determined for the variable maximum. Since there are only two Board Members, no indication on the individual compensation for each Board Member is given. There is no company pension plan. There are also no Management Board entitlements or individual legal rights should the function be terminated. There is a valid liability insurance protection for the management of the Group (D&O insurance).

The duties of the Audit Committee are assumed by the entire Supervisory Board. Relevant knowledge and experience about compensation policy is contributed in particular by Dr. Bednar.

Report on the compensation of the Supervisory Board

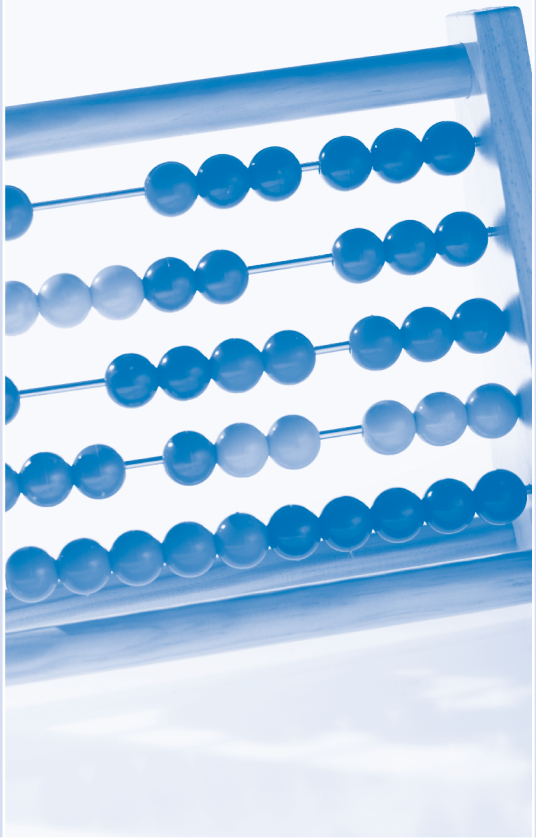
Compensation of the Members of the Supervisory Board was determined by the Annual General Meeting on May 24, 2011, for the financial year 2011. The members of the Supervisory Board received expense reimbursements totalling € 55,000 for the activities during the 2011 financial year (2010: € 43,300). The basic remuneration for the Members of the Supervisory Board amounts to € 7,500 (2010: € 7,500) per person, for the Chairman € 25,000 (previous year: € 20,000). Beyond that, there were compensations of travel costs.

BWT Aktiengesellschaft

CONSOLIDATED FINANCIAL STATEMENTS

in accordance with International Financial Reporting Standards as applicable in the EU

2011



BWT
BEST WATER TECHNOLOGY

I. Consolidated statement of comprehensive income for financial year 2011

(Statement of comprehensive income continued on page 74)

	Note	2011 T€	2010 T€
Revenues	(1)	478,875.5	460,690.4
Other operating income	(2)	8,485.5	6,264.8
Changes in inventories of finished goods and work in progress		–743.1	2,488.4
Own work capitalized	(2)	1,020.0	812.1
Raw materials supplies and purchased merchandise	(3)	–191,170.2	–186,399.5
Personnel expenses	(4)	–157,371.0	–151,660.4
Other operating expenses	(6)	–99,969.6	–85,028.2
Operating earnings before amortisation/depreciation		39,127.1	47,167.5
Depreciation and amortisation	(5)	–17,392.5	–15,710.1
Operating earnings		21,734.6	31,457.5
Share in earnings of associated companies	(15)	0.0	–38.9
Financial income	(7)	1,765.5	2,236.9
Financial expenses	(7)	–3,634.3	–2,444.0
Earnings before taxes		19,865.7	31,211.4
Income taxes	(8,17)	–6,089.2	–8,366.1
Earnings for the period		13,776.5	22,845.3
Of which:			
Shareholders of the parent company		13,590.1	22,725.1
Minority interest	(18)	186.4	120.2
Earnings per share (in €): basic = diluted	(27)	0.80	1.32
Number of shares issued		16,901,626	17,241,724

II. Consolidated balance sheet as at Decemer 31, 2011

ASSETS	Note	As at 31.12.2011 T€	As at 31.12.2010 T€
Goodwill	(9)	31,001.1	32,144.4
Other intangible assets	(9)	20,171.2	22,939.7
Property, plant and equipment	(9)	88,042.2	81,088.4
Financial investments	(10)	4,259.6	4,821.7
Other receivables from third parties	(12,14)	1,203.3	779.7
Deferred tax assets	(17)	6,871.3	4,626.3
Non-current assets		151,548.7	146,400.2
Inventories	(11)	69,926.5	67,537.1
Trade receivables	(12)	71,671.5	68,116.0
Receivables from construction contracts	(12,13)	11,453.3	11,851.3
Income tax assets	(12)	307.0	2,700.7
Other receivables from third parties	(12,14)	11,975.7	6,671.4
Cash and cash equivalents	(16)	14,286.6	17,583.0
Assets held for sale	(15)	127.5	197.5
Current assets		179,748.1	174,657.0
BALANCE SHEET TOTAL		331,296.8	321,057.2

EQUITY and LIABILITIES	Note	As at 31.12.2011 T€	As at 31.12.2010 T€
Subscribed capital		17,833.5	17,833.5
Capital reserves		17,095.8	17,095.8
Revenue reserves			
Accumulated profit/loss		148,068.8	141,208.3
Accumulated other earnings		–4,856.2	–5,144.2
Foreign currency translation		2,482.5	2,486.4
Available-for-sale		457.5	1,002.4
Own shares		–18,957.7	–11,245.4
		162,124.2	163,236.8
Minority interest	(18)	523.0	634.7
Equity	(18)	162,647.2	163,871.5
Provisions for social capital	(19)	28,558.3	29,503.0
Deferred tax liabilities	(17)	1,855.7	1,546.2
Other provisions	(20)	1,514.6	2,145.6
Interest-bearing financial liabilities	(21, 25)	23,312.4	6,334.8
Other liabilities	(21)	1,334.1	1,251.8
Non-current liabilities		56,575.1	40,781.3
Current income tax liabilities		4,213.3	4,186.7
Other provisions	(20)	9,608.1	8,908.5
Interest-bearing financial liabilities	(21, 25)	8,056.7	21,055.9
Trade and other liabilities	(21)	39,340.8	34,813.2
Liabilities from construction orders	(13)	6,478.7	5,357.5
Other liabilities	(21)	44,376.9	42,082.6
Current liabilities		112,074.5	116,404.4
BALANCE SHEET TOTAL		331,296.8	321,057.2

III. Consolidated statement of cash flows for financial year 2011

		Note	2011 T€	2010 T€
+	Earnings before taxes		19,865.7	31,211.4
–	Profit (+loss) from the sale of property, plant and equipment and financial investments		–1,702.0	–721.0
+	Depreciation and impairment of property, plant and equipment		10,206.4	9,995.2
+	Depreciation and impairment of intangible assets		7,186.1	5,714.9
–	Write-downs of financial investments		16.1	0.0
–	Increased (+decreased) inventories		–3,460.5	–1,004.4
–	Increased (+decreased) receivables		–10,212.5	–3,182.3
+	Increased (+decreased) trade and other liabilities		9,100.9	559.7
+	Increased (+decreased) provisions		757.0	1,628.3
–	Income tax paid		–5,406.8	–9,927.2
–	Share in earnings of associated companies		0.0	38.9
	CASH FLOW from operating activities	(23)	26,350.4	34,313.5
–	Disbursements for property, plant and equipment and intangible assets		–21,632.3	–14,864.5
–	Disbursements for financial investments		–142.1	–64.9
+	Proceeds from disposal of property, plant and equipment and intangible assets		1,138.8	4,722.4
+	Proceeds from disposal of financial investments		1,804.0	260.7
+–	Proceeds and disbursments from disposals of subsidiaries		–128.3	0.0
–	Disbursement for acquisition of minority shares and subsidiaries		–83.5	–5,156.7
	CASH FLOW from investment activities	(24)	–19,043.4	–15,103.0
–	Dividends paid out		–6,729.6	–6,876.2
–	Disbursements to minority shareholders		–77.5	–35.8
–	Share buy-back		–7,712.3	–4,823.8
+–	Change in notes payable		–137.8	781.0
+	Issue of non-current financial liabilities		10,854.9	6,165.3
–	Repayment of non-current financial liabilities		–6,122.8	–12,260.1
	CASH FLOW from financing activities		–9,925.1	–17,049.6
+–	Cash flow from operating activities		26,350.4	34,313.5
+–	Cash flow from investment activities		–19,043.4	–15,103.0
+–	Cash flow from financing activities		–9,925.1	–17,049.6
	Change in cash and cash equivalents		–2,618.1	2,160.9
+	Opening balance of cash and cash equivalents		17,583.0	16,164.1
+–	Effects of changes in exchange rates		–678.4	–742.0
	Closing balance of cash and cash equivalents		14,286.6	17,583.0
	Composition of cash and cash equivalents	(16)		
	Cash-in-hand		134.1	160.0
	Bank balances, cheques		14,152.5	17,423.0
			14,286.6	17,583.0

Other disclosures	2011 T€	2010 T€
Interest received	351.5	206.3
Interest paid	1,047.8	958.9
Dividends received	1,128.6	1,515.7

Interest received and interest paid and dividends received are included in the Cash flow from operating activities.

IV. BWT Group: Consolidated changes in equity

	Sub-scribed capital	Capital reserves	Revenue reserves				Own shares	Total	Minority interest	Total (18)
			Accumu-lated earnings	Other accu-mulated earnings	Foreign currency translation	Available-for-sale				
	T€	T€	T€	T€	T€	T€	T€	T€	T€	T€
As at 31.12.2009	17,833.5	17,095.8	125,359.4	–1,393.2	–1,017.0	444.0	–6,421.6	151,901.0	927.9	152,828.9
Earnings for the period	0.0	0.0	22,725.1	0.0	0.0	0.0	0.0	22,725.1	120.2	22,845.3
Other earnings	0.0	0.0	0.0	–4,046.8	3,503.3	558.4	0.0	14.9	–1.8	13.2
Total earnings for the period	0.0	0.0	22,725.1	–4,046.8	3,503.3	558.4	0.0	22,740.0	118.4	22,858.4
Adjustments for acquisition of minority shares	0.0	0.0	0.0	295.8	0.0	0.0	0.0	295.8	–375.8	–80.0
Disbursements for minority interests	0.0	0.0	–6,876.2	0.0	0.0	0.0	0.0	–6,876.2	–35.8	–6,912.0
Share buy-back 2010	0.0	0.0	0.0	0.0	0.0	0.0	–4,823.8	–4,823.8	0.0	–4,823.8
As at 31.12.2010	17,833.5	17,095.8	141,208.3	–5,144.2	2,486.4	1,002.4	–11,245.4	163,236.8	634.7	163,871.5
Earnings for the period	0.0	0.0	13,590.1	0.0	0.0	0.0	0.0	13,590.1	186.4	13,776.5
Other earnings	0.0	0.0	0.0	288.0	–3.9	–544.9	0.0	–260.8	–9.7	–270.5
Total earnings for the period	0.0	0.0	13,590.1	288.0	–3.9	–544.9	0.0	13,329.3	176.7	13,506.0
Acquisition of minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–210.9	–210.9
Disbursements for minority interests	0.0	0.0	–6,729.6	0.0	0.0	0.0	0.0	–6,729.6	–77.5	–6,807.1
Share buy-back 2011	0.0	0.0	0.0	0.0	0.0	0.0	–7,712.3	–7,712.3	0.0	–7,712.3
As at 31.12.2011	17,833.5	17,095.8	148,068.8	–4,856.2	2,482.5	457.5	–18,957.7	162,124.2	523.0	162,647.2

Statement of comprehensive income

	2011 T€	2010 T€
Earnings for the period	13,776.5	22,845.3
Other earnings		
Actuarial gains/losses	475.2	–5,384.3
Taxes thereon	–187.2	1,337.4
Valuation of securities („available-for-sale", pursuant to IAS 39)	–726.6	744.5
Taxes thereon	181.7	–186.1
Foreign currency translation	–13.6	3,501.6
Total amount of other earnings	–270.5	13.2
Total earnings for the period	13,506.0	22,858.4
Of which:		
Shareholders of the parent company	13,329.3	22,740.0
Minority interest	176.7	118.4

T€82.7 from currency reserves were reclassified under earnings for the period following disposal of interests as at 31 December 2011.

BWT GROUP CONSOLIDATED FINANCIAL STATEMENTS

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V. Notes for 2011

General comments

The consolidated annual financial statements of BWT Aktiengesellschaft (BWT AG) with its registered office in Austria, 5310 Mondsee, Walter-Simmer-Strasse 4, were drawn up in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU and with the Management Board being responsible for their preparation.

BWT – Best Water Technology Group – was established in 1990 as a result of a management buyout and is now Europe's leading water technology supplier in the "residential" sector. The goal of BWT employees is to provide its customers from private households, businesses and local authorities with innovative technologies, ensuring the highest levels of safety, hygiene and health in their daily contact with water – the elixir of life.

BWT Aktiengesellschaft is represented around the world by 44 subsidiaries and employed 2,689 employees as at 31 December 2011 (previous year: 2,820) employees.

The accounting policies applied in the case of companies included in the consolidated financial statements follow the uniform financial accounting regulations of the BWT Group which are based on IFRS as applicable in the EU.

The balance sheet date of the consolidated financial statements is the reporting date of the parent company, in accordance with IAS 27. The annual financial statements of companies included as a result of full consolidation were prepared as at the date of the consolidated financial statements. In order to improve clarity of presentation, individual line items in the balance sheet and the consolidated statement of comprehensive income have been grouped together. Their detailed presentation is available in the Notes.

In accordance with IAS 1, the consolidated balance sheet is broken down by maturities. Assets and liabilities are classified as current if they are expected to be realised or paid within twelve months of the balance sheet date.

All reporting for financial years 2011 and 2010 was prepared in T€ (€,000) (rounded in accordance with the commercial rounding method). Calculation differences related to rounding may occur for totals of the rounded amounts and percentages due to the application of automatic calculation aids.

The consolidated annual financial statements are essentially prepared according to the cost method. This does not apply to derivative financial instruments or to the disposal of available-for-sale financial assets which are recognised at fair value.

Application of new and revised standards and interpretations

As at 1 January 2011, the Group applied the new and revised IFRS standards and interpretations listed below.

The following standards and interpretations had no effect on the net assets, financial position and results of operations of the Group:

- Improvements to IFRS 1/IFRS 7 First-time Application of IFRS – Disclosures, adopted on 30 June 2010, to be applied starting from 1 July 2010.
- Improvements to IAS 24 Related Party Disclosures, adopted on 19 July 2010, to be applied starting from 1 January 2011.
- Amendments to IAS 32 Financial Instruments: Disclosures, adopted on 23 December 2009, to be applied starting from 1 February 2010.
- Amendments to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, adopted on 19 July 2010, to be applied starting from 1 January 2011.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, adopted on 23 July 2010, to be applied starting from 1 July 2010.
- Improvements to IFRSs (May 2010), adopted on 19 February 2011, to be applied by 1 July 2010 at the latest.

Published standards and interpretations which have not yet been applied

At the time of the release of these financial statements for publication, in addition to the standards and interpretations applied by the Group, the following provisions had already been published and adopted by the EU, the application of which was, however, not yet mandatory:

- Amendment to IFRS 7 Financial Instruments: Disclosures relating to the transfer of financial assets adopted on 22 November 2011, to be applied for financial years commencing after 1 July 2011.

The Management Board assumes that the aforementioned standard will be applied starting from the consolidated financial statements that are provided for in the implementing regulation, and that the application of this standard will not have any material impact on equity and income as recognised in the consolidated financial statements in the year of their first-time application.

Scope of consolidation

An overview of the material fully consolidated companies is available in Appendix V.1.

As a result of full consolidation, the consolidated balance sheet as at 31 December includes 44 (previous year: 50) subsidiaries, apart from BWT AG itself.

Since 31 December 2009, one company consolidated at equity was included in the consolidated financial statements. In the fourth quarter of 2010, BWT decided to reduce successively its shareholding in Christ Nishotech Water Systems Pte. Ltd and sell it on to its Indian partner. As at 31 December 2011, the Christ Nishotech Water Systems Pte. Ltd. is recognised as "held-for-sale".

The scope of consolidation developed as follows in reporting year 2011:

As at 01.01.2011	51
Incorporated for the first time in the reporting year	1
Deconsolidated in the reporting year	–7
As at 31.12.2011	45

Shares held in those companies that have been included but which do not confer a controlling influence on them are presented as a separate item. Shares in earnings attributable to other shareholders included in net income for the period are presented separately in the consolidated statement of comprehensive income.

Business combinations / disposals 2011

At the beginning of October, BWT France S.A.S. acquired a 100% interest in Bocaplast SA, with registered offices in Is-sur-Tille, and immediately merged into BWT France. As a result of this acquisition and subsequent merger, a strategically important supplier was more effectively integrated into the value chain.

At the time of the acquisition, the fair value of identifiable assets was T€237.3 of which related to inventories and T€77.8 to cash and cash equivalents T€37.3. The fair value of trade receivables is T€79.2. The corresponding gross value is T€85.5. The fair value of liabilities was T€774.0. The resulting net assets at fair value is T€ -536.7. The purchase price of T€120.8 was paid in full. This transaction resulted in goodwill of T€657.6 and cash flow for company acquisitions of T€ -83.5. The newly-created goodwill comprises the value of the expected synergies arising from the acquisition. It is not expected that the goodwill recognised can be treated as deductible for tax purposes.

In view of the volume of the transaction, the transaction costs are negligible and are recognised in the consolidated statement of comprehensive income under the item "Other operating expenses".

At the end of March 2011, the Zeta Group, not directly connected to the core business, was sold and deconsolidated as of 31 March 2011. INET was also deconsolidated as of the beginning of April 2011 as was ANNA International as of year-end. A residual minority interest in INET is recognised under other investments (see Note 10). The sale prices for these transactions were paid in cash.

At the time of the disposal, the carrying amount of the Zeta Group assets was T€11,866.5. This included T€4,579.5 trade receivables and T€822.2 in cash and cash equivalents. The remaining amount breaks down into T€2,470.6 non-current assets and T€3,994.2 current assets. The carrying amount of liabilities was T€10,763.2. This breaks down into T€702.2 non-current liabilities and T€10,061.0 current liabilities. The sale resulted in a loss of T€530.3 for the BWT Group. Earnings before tax for the BWT Group in 2011 include a loss out of the first-quarter operating result of T€844.7 relating to the disposed Zeta Group.

At the time of the deconsolidation, INET had assets with a carrying amount of T€997.6 comprising T€421.4 in inventories and T€31.8 in cash and cash equivalents. Liabilities were reported at a carrying amount of T€355.0. Profit from the disposal amounts to T€69.9. Until deconsolidation, INET contributed earnings before taxes of T€35.9 to the results of the BWT Group.

A profit of T€17.3 resulted from the disposal of Anna International, deconsolidated at year-end.

Business combinations 2010

BWT AG acquired Culligan International (UK) Limited, which was previously part of the Culligan Group, in early July 2010 and is therefore now represented in the UK with a wholly owned subsidiary.

The name of the acquired company was changed to BWT UK Limited. It has its registered office in High Wycombe near to London. The company also owns an assembling and logistics centre in Billingham, Middlesbrough. The company has a good market position in the UK in the area of domestic water treatment and its customers include plumbers and wholesalers. Its business activities also include the sale of water dispensers.

At the time of acquisition, the fair value of identifiable assets and liabilities was as follows:

ASSETS	Note	Fair value at time of acquisition BWT UK T€
Fixed assets	(9)	2,005.7
Deferred tax assets	(17)	614.2
Inventories	(11)	2,108.8
Trade and other receivables	(12)	2,740.6
Other receivables from third parties	(12,14)	9.7
		7,479.1

LIABILITIES	Note	Fair value at time of acquisition BWT UK T€
Current income tax liabilities		128.6
Trade liabilities	(21)	1,751.9
Other liabilities	(21)	2,240.9
		4,121.4
Total identifiable net assets at fair value		3,357.7
Goodwill on the basis of acquisitions	(9)	937.0
Total consideration		4,294.7
of which not yet paid purchase price		0.0
Liquid assets taken over		0.0
Purchase price paid		–4,294.7
Cash flow for acquisition of the company		–4,294.7

The fair value of trade receivables was T€2,740.6. The gross value of trade receivables amounted to T€2,908.7.

The newly created goodwill of €0.9 million comprises the value of the expected synergies arising from the acquisition. It is not expected that the goodwill recognised can be treated as deductible for tax purposes.

Since the time of the acquisition, the aforementioned company contributed €7.3 million in revenues and €0.3 million in earnings before taxes to the results of the BWT Group. No data is available on revenues and earnings based on the assumption that the acquisition had taken place at the start of the year.

The transaction costs of T€128.3 are recognised in the consolidated statement of comprehensive income under the item "Other operating expenses".

In addition to the purchase price for BWT UK Limited, listed in the table, the BWT Group also paid a further T€862.0 for subsequent purchase price adjustments for an acquisition carried out in the previous year and for the acquisition of shares without a controlling influence, which results in cash flow for company acquisitions totalling T€5,156.7.

Consolidation method

Business combinations are accounted for using the purchase method. The acquisition costs of a company acquisition are based on the total of the transferred consideration, measured at fair value at the time of acquisition, and in terms of the non-controlling interest in the acquired company. For each business combination, the purchaser measures the non-controlling interest in the acquired company either at fair value or in terms of the corresponding acquirer's interest in the identifiable net assets of the acquired company. Costs incurred in connection with a business combination are expensed.

Initially, goodwill is measured at cost, being the excess of the transferred consideration over the identifiable assets acquired and the liabilities assumed of the group. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in connection with a business combination is allocated to the cash-generating units of the Group which are expected to profit from the business combination starting from the time of acquisition. This applies regardless of whether other assets or liabilities of the acquired company are assigned to these cash-generating units. Intra-Group receivables and liabilities, expenses and income, as well as interim results, are eliminated.

Foreign currency translation within the Group

Foreign currency translation in respect of foreign financial statements is performed in accordance with the functional currency concept. For all other companies with the exception of one, this is the respective domestic currency for companies conducting their operations independently in financial, economic and organisational terms.

Apart from equity items, all balance sheet items are translated to the reporting currency using the middle spot exchange rate as at 31 December 2011. Items in the consolidated statement of comprehensive income related to foreign consolidated companies are translated using average exchange rates for the period. Differences from currency translation are recorded in other income. In the case of the withdrawal of a foreign business from the scope of consolidation, such currency differences are recognised in profit or loss.

The exchange rates of material currencies, adopted for currency translations, developed as follows:

Counter value = 1 €	Period-end exchange rate		Average annual exchange rate	
	31.12.2011	31.12.2010	2011	2010
Swiss franc	1.22	1.25	1.23	1.37
Polish zloty	4.46	3.98	4.14	4.00
Hungarian forint	314.58	277.95	280.67	276.51
Czech krone	25.79	25.06	24.60	25.26
US dollar	1.29	1.34	1.40	1.32
Swedish krone	8.91	8.97	9.01	9.49
Danish krone	7.43	7.45	7.45	7.45
Norwegian krone	7.75	7.80	7.78	8.00
Chinese renminbi	8.16	8.82	9.03	8.93
Pound sterling	0.84	0.86	0.87	0.86
Ukrainian hryvnia	10.36	10.65	11.17	10.49
Russian ruble	41.77	40.82	41.04	40.22

Accounting and valuation principles

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated at cost, less cumulative depreciation and impairment. Production costs include both direct costs and reasonable portions of material and production overheads. General administrative expenses are not capitalised. Borrowing costs are capitalised if the asset fulfils the prerequisites of a qualifying asset in accordance with IAS 23.

Assets are depreciated/amortised starting from the time they are ready to use. Depreciation/amortisation is carried out according to the straight-line method over the anticipated useful life of a given asset. When establishing the anticipated useful life of property, plant and equipment, the expected economic useful life is taken into consideration.

In order to determine possible declines in the value of property, plant and equipment and of intangible assets, an impairment test is carried out if appropriate indications exist (goodwill, intangible assets with an indefinite useful life and capitalised development costs are essentially tested for impairment once a year). The higher of the two values (recoverable amount), net selling price or value in use, which is calculated as cash equivalent of future cash inflows and outflows, is compared with the existing carrying amount as written down thus far. If it is not possible to carry out the estimations on the basis of a separate valuation, it is carried out on the basis of the superior "cash-generating unit (CGU)". Cash-generating units (CGU) are defined on the basis of the smallest identifiable group of assets which generate cash inflows, and which are largely independent of the cash inflows of other assets or other groups of assets. Since there are no collectively-used assets, the definition of the CGUs corresponds essentially to the "legal entities". If the carrying amount is higher, it is written down to the recoverable amount. If the reasons giving rise to impairment no longer exist, the impairment loss is reversed (excluding goodwill), up to no more than the level of regular amortised cost. Maintenance measures are expensed. In order to determine the useful life, the expected future cash flows are discounted to their cash value on the basis of a discount rate before taxes, which reflects current market expectations regarding the interest effect and the specific risks of the asset.

A positive difference in value resulting from a business combination is recognised as goodwill. Goodwill is tested for impairment on each balance sheet date from the point of view of its economic benefit. Decreases in the future benefit are booked as value impairment. An annual impairment test is carried out for the value of existing goodwill on the basis of cash-generating units (CGUs).

In the case of self-developed intangible assets, the production period is broken down into a research and a development phase. Costs incurred during the research phase are immediately recognised in profit or loss. Expenses in the development phase are capitalised as intangible assets (in accordance with IAS 38), provided that they meet certain assumptions confirming the future usefulness of the planned expenditure, primarily the technical feasibility of the developed product or process. Valuation of self-developed intangible assets is carried out at production cost, less depreciation and impairment. Intangible assets in development and intangible assets with an indefinite useful life are to be tested for impairment once a year.

Amortisation of intangible assets and depreciation of property, plant and equipment is carried out using the straight-line method over the expected economic useful life of a given item. The following useful life periods were adopted for the calculation of depreciation rates, unchanged against the previous year:

Useful life in years	from	to
Intangible assets		
Software	3	5
Patents, trademark rights	5	10
Property, plant and equipment		
Buildings	20	50
Investments in third-party buildings	10	20
Machinery	3	15
Office equipment	3	10

Leased and rented assets

Leasing and rental contracts, in which all risks and rewards arising from the use of assets are transferred to the Group, are treated as finance leases. Assets underlying respective leasing or rent contracts are capitalised at the current value of the capitalised leasing or rental instalments at the time of acquisition and depreciated over their useful life. The capitalised assets are offset by the present value of the liability arising from the outstanding leasing or rental instalments as at the balance sheet date.

Assets made available under any other leasing or rental contracts are treated as operating leases. Rental payments are expensed.

Financial investments

Financial assets (see Note 10) are not held for trading purposes. Insofar that there is actual intention and ability to hold the asset to final maturity, the asset is recognised at amortised cost in accordance with the effective interest rate method, less any impairments. If the reasons for the writing down of a financial asset no longer apply, the asset is written up to a value no higher than its cost.

Part of securities included in financial assets are recognised as available for sale. They are recognised at cost (fair value) at the time of their acquisition and in later periods at their respective current market values. Market values of securities are their exchange prices as at the balance sheet date.

Assets are recognised as available for sale if they do not fulfil the prerequisites for loans and receivables, are not held until maturity and are not recognised in profit or loss at their market value. This category includes, in particular, securities for covering pension provisions and equity interests, which are not traded as securities held for trading purposes.

Other investments for which it is not possible to establish a market value are carried at cost less any impairment.

Financial assets are recognised or derecognised as at the date on which they are traded. Financial assets are tested for impairment on each balance sheet date. The Group derecognises financial assets only if the contractual rights to cash flows from a financial asset expire, or if it assigns the financial asset and all opportunities and risks fundamentally associated with it to a third party.

Inventories

Inventories are recognised at cost or at the lower net selling price. Consumption of primary energy and raw materials and supplies is calculated using the average-cost method. Low turnover frequency of inventories is used as an indicator for calculating the net selling price.

Receivables

Trade receivables and other current receivables recognised for the first time are carried at fair value if they are financial instruments. The subsequent valuation is at amortised cost, applying the effective interest rate method.

Tax receivables are presented offset against tax liabilities if they relate to the same tax authority and there is both the right and intention to offset them.

In the case of some categories of financial assets (for example, trade receivables), assets for which no impairment is established on an individual basis are tested for any impairment requirement on a portfolio basis.

Receivables from construction contracts

In accordance with IAS 11, for all construction contracts for which it was possible to reliably determine the degree of completion, total costs and total proceeds, the realisation of profits is calculated using the contracts costs incurred to date in relation to total estimated costs (percentage-of-completion method). When the percentage-of-completion method is applied, a realisation of profits thus occurs at a point in time at which no claim to a corresponding payment that can be asserted in law yet exists. The BWT Group determined the percentage of completion in relation to the ratio of the costs incurred until the balance sheet date to the estimated total costs (cost-to-cost method). The costs incurred thus far are taken from parallel calculations agreed with the accounting department and time recording.

Cash and cash equivalents

The balance sheet item "Cash and cash equivalents" comprises cash at hand, bank balances and short-term deposits with an original term of less than three months. For the purpose of the consolidated cash flow statement, the aforementioned payment means are included in "Composition of liquid funds".

Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the company will comply with the conditions attached to it. Resource-related grants are recognised as income over the period for which the expense also occurred. In accordance with IAS 20, grants related to assets are recognised as a reduction in acquisition and production costs and result in a corresponding reduction in depreciation in subsequent periods.

Employee benefits

At BWT Austria and at foreign consolidated companies in Germany and Switzerland, there are direct pension obligations in respect of certain employees on the basis of individual commitments.

Due to legal obligations, employees of the Austrian, French and Italian consolidated companies receive a one-off severance payment in the event of termination of employment or retirement. This depends on the number of years of service and on their relevant salary for severance pay purposes. In Austria severance only applies to employees excluded from the employee benefit plan system.

The provision for long-service bonuses was established for employees of certain Austrian and French consolidated companies.

Pension provisions and provisions for similar obligations, as well as for severance payment and long-service bonus obligations, are measured in accordance with IAS 19 in line with the projected unit credit method. Under this method, the expected benefits to be paid by the company are attributed to the number of years of service. Salary increases expected in the future are taken into consideration. The provision amounts are calculated by an actuary for each reporting date in the form of an actuarial certificate.

In accordance with IAS 19, in the case of pension provisions, provisions for similar obligations and severance pay obligations, actuarial gains and losses are recognised in equity in the accumulated earnings without recognition in profit or loss, whereas in the case of provisions for long-service bonus obligations, they are recognised in profit or loss through personnel expenses.

Defined contribution plans exist at various consolidated companies on the basis of legal obligations (the most important of these in Austria is the company employee pension scheme (MVK) in Austria). For defined contribution plans, the contributions are recognised as expenses in the period for which they are paid.

Provisions

Other provisions were created respectively in the amount of the uncertain obligations using the best possible estimate of the expense necessary for fulfilment. Non-current provisions are stated at present value if the interest effect is material.

Liabilities

Monetary foreign currency liabilities are recognised at the middle spot exchange rate of the currency concerned on the balance sheet date. Financial liabilities are initially measured at fair value. The subsequent valuation is at amortised cost, applying the effective interest rate method.

Derivatives

Derivative financial instruments are held in order to hedge economic risks. As the criteria for hedge accounting are not fulfilled, these instruments are recognised as held for trading purposes in accordance with IAS 39 and recognised in profit or loss at fair value.

Translation into functional currency

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the middle spot exchange rate on the reporting date, whereas non-monetary items are translated at the currency buy rate. Write-ups and write-downs resulting from foreign currency valuations are recognised in profit or loss.

Revenue recognition

Revenues from trading are earned if all material risks and opportunities arising from the goods or services delivered have passed to the purchaser.

In order for the progress of orders and the performance of the company to be reflected accurately in the appropriate periods, profit from construction contracts is realised using the percentage-of-completion method, in accordance with IAS 11, on the basis of a reliable estimate of the degree of completion, total costs and total revenues.

Dividend income is recognised when a legal claim to payment arises. Interest income and interest expense are recognised in accordance with the effective interest rate method.

Taxes

For individual companies, income tax expenses reported for the financial year comprise the income tax calculated on the basis of their taxable income multiplied by the tax rate to be applied in their respective countries ("actual taxes") and the changes in deferred tax items. A taxable group of companies as defined in Article 9 Austrian Corporation Tax Act [KStG] exists comprising the Group companies in Austria and two foreign companies, through which tax profits and losses of the parent company (BWT AG) can be offset in accordance with statutory provisions. Tax is allocated according to the load method.

The calculation of deferred tax items is carried out using the balance sheet liability method for all temporary differences between the values of the balance sheet items in IFRS consolidated financial statements and their tax values recorded at the individual companies. Furthermore, the likely tax advantages to be gained from existing loss carryforwards are included in the calculation. Differences from non-tax deductible goodwill and from the first-time recognition of an asset or debt are not included in deferred tax items, provided that certain conditions are met.

Deferred tax assets and liabilities for financial year 2011 are based on the following tax rates:

Country	Tax rate	Country	Tax rate
Austria	25%	Great Britain	26%
Germany	28%	Hungary	10%
France	34%	Ukraine	23%
Italy	28%	Czech Republic	19%
Spain	30%	Poland	19%
Denmark	25%	China	25%
Sweden	26%	Russia	20%
Norway	28%	Malta	35%
Switzerland	21%	Ireland	13%

The following tax rates were applied in the financial year 2010:

Country	Tax rate	Country	Tax rate
Austria	25%	Hungary	10%
Germany	28%	Ukraine	25%
France	35%	Czech Republic	19%
Italy	28%	Poland	19%
Spain	30%	China	25%
Denmark	25%	Russia	20%
Sweden	26%	Malta	35%
Norway	28%	India	34%
Switzerland	21%	Irland	13%
Great Britain	28%		

Earnings per share

Earnings per share are calculated by dividing Group profit due to the shareholders of the parent company by the weighted number of issued shares.

Estimates and discretionary assumptions

For the purposes of preparing the consolidated financial statements, some estimates and assumptions have to be made and influence the value of assets and liabilities as recognised in the balance sheet, the statement of other liabilities on the balance sheet date and the reporting of income and expenses for the reporting period. The actual amounts may deviate from these estimates. In particular, there are sources of estimation uncertainty in respect to determination of useful value in impairment tests (see Note 9) and the deferred tax liabilities, due to deviations from expected income in the future. Deferred tax assets are recognised for all unused tax loss carryforwards to the extent that it is probable that taxable income will be available in this regard (see Note 17). For the calculation of deferred tax assets which qualify for capitalisation, the financial planning of each Group company is assessed individually (time frame for tax planning being 3 to 5 years). Management judgement is the key factor for the expected timing and amounts of taxable income and future tax planning strategies.

Development costs are capitalised in keeping with the accounting policies described. The initial capitalisation of costs is based on the assessment of management that technical feasibility and commercial viability are demonstrable (see Note 9). In inventory measurement, the opinions of management regarding pricing and market trends are necessary to establish the amount of the values recognised (see Note 11). In the case of receivables, assumptions regarding the probability of default are necessary (see Note 12 and Note 25). In the case of POC receivables, the expected total costs per project are estimated in accordance with IAS 11. These estimations are reached by the respective project managers together with management in consideration of the development of costs. A project's percentage of completion is calculated from the estimates and from this the POC receivables position or, in the case of advance payments, POC liabilities (see Note 13).

Furthermore, the preparation of the consolidated annual financial statements requires the determination of future developments. For example, for the measurement of existing social capital obligations, assumptions are used in respect of the discount rate, retirement age, life expectancy and future salary and pension increases (see Note 19). The amount set aside for warranty provisions is the present value, based on a best possible estimate of such costs as derived from past experience (see Note 20). Moreover, the classification of financial instruments and leases also requires judgement.

When applying the accounting methods of the Group, management has applied the following judgement, which has a material effect on the amounts recognised in the consolidated financial statements:

Obligations arising from operating leases – Group as lessee
The Group has concluded lease agreements for properties, plant and equipment as well as vehicles. On the basis of an analysis of the terms of the lease, it was established that the risks and opportunities associated with ownership were essentially not transferred to the Group. Accordingly, these leases are carried in the balance sheet as operating leases.

Segment reporting

Operating segment reporting is defined in terms of regional responsibilities, with the following divisions being determined in accordance with the internal management information system:

- Austria / Germany
- France / Benelux / UK
- Scandinavia
- Italy / Spain
- Switzerland / Others

Transactions with external customers are correspondingly assigned to the registered office of the selling company.

The disposal of the Zeta Group at the end of March 2011 accounts for the 5.4% drop in revenues in the Austria / Germany segment in 2011. The France / Benelux / UK segment benefited from strong revenues in Belgium and the first full year consolidation of BWT UK which was only included in the consolidated results from July the previous year. In Scandinavia, the HOH Group and BWT Pharma & Biotech in Sweden both posted double-digit percentage increases. In total segment revenues increased by 14.3%. The difficult market environment in Italy / Spain resulted in a 3.3% revenues downturn. Revenues in the Switzerland / Others segment repeated last year's strong increase, recording 18.2% growth. In its home country of Austria, the company achieved total revenues of €63.4 million (previous year: €63.8 million) and the carrying amount of non-current assets excluding financial instruments and deferred tax assets amounted to €52.4 million (previous year: €51.2 million).

Settlements between the individual segments are normally effected in accordance with the arm's length principle. Group products and services are distributed in all segments. BWT offers state-of-the-art water treatment technologies and services for drinking water, pharma water, process water, heating water, boiler water, cooling water, water for air-conditioning systems and swimming pool water. With table water filters for preparing tea or coffee, filters for optimising water for coffee machines, water filters for baking, steam ovens and vending machines, under-the-sink particle-filters as well as water dispensers, reverse osmosis and UV devices, BWT offers compact and innovative so-called Point of Use products to end consumers for the highest water quality.

Segments of business regions

2011	Austria/ Germany	France/ Benelux/UK	Scandinavia	Italy/Spain	Switzerland/ Others	Elimination	Total
	T€	T€	T€	T€	T€	T€	T€
External sales	195,919.4	116,194.7	51,622.3	31,998.2	83,141.0		478,875.5
Internal sales	21,886.7	3,607.5	668.2	307.4	15,126.1	–41,595.9	0.0
Total	217,806.1	119,802.2	52,290.5	32,305.6	98,267.1	–41,595.9	478,875.5
Segment earnings (EBIT)	–2,170.9	3,752.8	8,515.9	2,580.6	9,056.2		21,734.6
Interest income	717.2	7.0	135.1	62.0	69.0	–601.3	389.0
Interest expense	–2,305.1	–384.8	–57.3	–143.5	–607.7	601.3	–2,897.0
Income from participations							639.1
Income taxes	219.9	–864.8	–2,232.4	–1,398.9	–1,813.1		–6,089.2
Minority interest							–186.4
Annual results of the parent company shareholders							13,590.1
Earnings per share in €							0.80
Segment assets	168,906.1	63,612.2	31,822.6	23,289.5	86,080.5	–42,414.2	331,296.7
Segment liabilities	102,201.2	38,126.8	14,395.6	12,118.1	44,222.1	–42,414.2	168,649.6
Investments	17,713.0	2,952.0	563.8	79.3	2,564.2		23,872.3
Depreciation/ Amortisation	–8,071.5	–2,831.5	–577.9	–147.3	–2,690.2		–14,318.4
Impairment charges	–3,074.1						–3,074.1

2010	Austria/ Germany	France/ Benelux/UK	Scandinavia	Italy/Spain	Switzerland/ Others	Elimination	Total
	T€	T€	T€	T€	T€	T€	T€
External sales	207,146.6	104,931.5	45,178.3	33,083.1	70,351.0		460,690.4
Internal sales	22,412.4	3,089.1	753.0	347.8	20,883.1	–47,485.3	0.0
Total	229,559.0	108,020.6	45,931.3	33,430.9	91,234.1	–47,485.3	460,690.4
Segment earnings (EBIT)	9,454.8	4,380.5	6,418.8	3,485.3	7,718.1		31,457.5
Interest income	535.4	7.2	82.8	23.6	56.8	–448.3	257.5
Interest expense	–1,841.7	–326.0	–31.9	–140.7	–493.7	448.3	–2,385.8
Income from participations							1,882.2
Income taxes	–2,411.2	–1,498.2	–1,563.6	–1,150.7	–1,742.4		–8,366.1
Minority interest							–120.2
Annual results of the parent company shareholders							22,725.1
Earnings per share in €							1.32
Segment assets	161,076.3	64,362.0	30,219.1	23,931.7	82,517.3	–41,049.1	321,057.2
Segment liabilities	94,055.5	39,336.2	12,261.3	11,506.2	41,075.6	–41,049.1	157,185.7
Investments	9,244.4	2,231.8	426.8	96.8	3,859.4		15,859.3
Depreciation/ Amortisation	–8,242.1	–2,542.8	–547.6	–215.8	–2,617.9		–14,166.2
Impairment charges	–1,543.8						–1,543.8

Notes to the consolidated statement of comprehensive income

The consolidated statement of comprehensive income is presented in accordance with the nature of expense method.

NOTE 1: Revenues

In financial year 2011, the BWT Group's consolidated revenues increased by €18.2 million to €478.9 million, an increase of 3.9% on the previous year. This figure was negatively impacted by the sale of the Zeta Group at the end of March. On a like-for-like basis, revenues growth was 8.9%.

The revenues of the Service and Spare Parts business moved up by 4.7% from €94.1 to €98.5 million in 2011, representing 20.6% of the Group's revenues (previous year: 20.4%). The Point of Use business again posted strong growth rates in 2011 with revenues of €34.8 million, more than 19% up on the previous year. This means that 7.3% (previous year: 6.3%) of the Group's total revenues came from this product segment. The revenues of the Point of Entry business rose by just 2.4% in 2011 to €345.6 million, primarily due to the disposal of Zeta mentioned above. Following reallocation of product groups in 2011, the previous year's figures are adjusted to improve comparability.

NOTE 2: Other operating income and capitalised labour, overheads and materials

The other operating income is as follows:

	2011 T€	2010 T€
Income from disposal of property, plant and equipment	2,395.3	368.8
Rental/leasing and licence income	1,062.6	1,198.0
Income from bonus/commission agreements	1,030.4	296.1
Income from insurance damages	418.2	127.2
Income from further charging of transportation costs	993.8	896.3
Income from further charging of services	1,324.3	1,191.7
Income from written-down receivables and impairment losses	148.4	883.5
Other income	1,112.5	1,303.3
	8,485.5	6,264.8

Capitalised labour, overheads and material amounting to T€1,020.0 (previous year: T€812.1) principally consist of development costs to be capitalised in accordance with IFRS. The item "Other income" also includes proceeds from the sale of raw materials and revenues from prior periods.

NOTE 3: Raw materials supplies and purchased merchandise

	2011 T€	2010 T€
Material expenses	173,310.3	165,833.5
Expenditure on services	17,859.9	20,566.0
	191,170.2	186,399.5

NOTE 4: Personnel expenses

	2011 T€	2010 T€
Wages	16,592.5	18,513.1
Salaries	105,607.2	99,190.9
Expenses for severance payments and pensions	3,499.9	3,153.5
Statutory social security contributions	28,162.6	27,696.9
Other social expenses	3,508.8	3,106.0
	157,371.0	151,660.4

Defined contribution employee-benefits expenses in the financial year 2011 amounted to T€399.2 (previous year: T€369.7).

The average number of employees developed as follows:

	2011	2010
White collar workers	1,987	1,974
Blue collar workers	673	715
Apprentices	52	51
	2,712	2,740

Part–time employees have been included in this table on a pro-rata basis.

NOTE 5: Depreciation/amortisation charges and impairment losses on intangible assets and property, plant and equipment

	2011 T€	2010 T€
Scheduled depreciation/amortisation on property, plant and equipment and on other intangible assets	14,318.4	14,166.2
Impairment losses	3,074.1	1,543.8
	17,392.5	15,710.1

The impairment losses in 2011 concern impairment of goodwill and amortisation of the Christ Aqua brand as sales activity was concentrated on the BWT brand in the Pharma business as well. In the previous year, impairment losses related to impairment of goodwill.

NOTE 6: Other operating expenses

	2011 T€	2010 T€
Advertising expenses incl. entertainment costs	18,413.9	11,824.1
Fleet and travel expenses	14,030.8	13,041.5
Freight and warehousing	11,632.2	9,527.7
External staff	5,958.9	3,115.6
Rental and leasing expenses	13,079.7	12,475.1
Consultancy costs	3,015.9	3,227.9
Office, postal and telephone expenses	4,986.9	4,883.4
Commissions	5,578.0	5,704.3
Licence expenses	403.2	409.7
Insurance	1,899.8	1,935.6
Maintenance	5,771.9	4,684.6
Energy and fuel	2,475.8	2,284.0
Risks on receivables	2,123.5	815.5
Other taxes and fees	2,917.9	2,541.1
Cleaning expenses	1,273.3	1,252.2
Banking charges and other third-party costs	1,260.8	1,174.9
Exchange rate difference	253.8	161.7
Other	4,893.3	5,969.4
	99,969.6	85,028.2

In financial year 2011, expenditure on services provided by the Group auditors Ernst &Young Wirtschaftsprüfungsgesellschaft m.b.H. in Austria amounted to T€158.9 (previous year: T€195.8). Of this amount, T€125.3 (previous year: T€127.6) related to auditing costs and T€33.6 (previous year: T€68.2) to other services.

Other expenses mainly comprise expenditure on safety, technical support, events resulting in damage and expenses from prior periods.

NOTE 7: Financial income and financial expenses

	2011 T€	2010 T€
Profit distributions from equity interests	1,128.6	1,515.7
Income from profits of financial investments	247.9	463.7
Income from other securities	3.5	9.5
Other interest and similar Income	385.5	248.0
	1,765.5	2,236.9
Expenses from equity interests	737.3	58.2
Impairment losses of financial investments	16.1	0.0
Interest expense for social capital pursuant to IAS 19	1,185.6	1,266.7
Interest and similar expenses	1,695.4	1,119.1
	3,634.4	2,444.0

Income from financial investments includes interest, dividends and similar income arising from the investing of financial resources and from investing in financial assets. The decline compared with the previous year can be explained by non-recurring income from profits of financial investments in the previous year and lower profit distributions. Under Financial income, essentially T€1,364.0 are entered in the "available for sale" valuation category and T€157.0 in "Loans and receivables".

Financial expenses cover interest incurred on loans and expenses similar to interest. The expenses from equity interests comprise T€172.0 in subsequent purchase price adjustments for BWT Russia and expenses arising from the disposal of interests. Current interest expenses for financial liabilities in 2011 remain unchanged compared with 2010. The increase can be attributed to extraordinary events such as discounting on receivables and interest on tax arrears in the current year. Under Financial income, T€51.1 are entered in the "available for sale" valuation category and T€206.6 in "loans and receivables" as well as T€1,119.4 in "liabilities at amortised cost".

NOTE 8: Income tax

The effective tax rate for financial year 2011 is approximately 30.7% and approximately 26.8% for financial year 2010.

The main elements of the income tax expense are as follows:

	2011 T€	2010 T€
Actual income taxes:		
Actual tax expense	7,600.4	9,125.6
Corporate income tax for previous years	429.9	–98.6
Deferred income taxes:		
Changes in tax assets and liabilities	–1,941.1	–660.9
Tax expense disclosed in the income statement	6,089.2	8,366.1

Deferred income taxes from items recorded in "Other income" during the financial year:

	2011 T€	2010 T€
On actuarial gains/losses IAS 19	187.2	–1,337.4
On valuation of securities available for sale pursuant to IAS 39	–181.6	186.1
Tax expense disclosed in Other earnings	5.6	–1,151.3

The reconciliation of the income tax liability applying the Austrian corporate tax rate of 25% (previous year: 25%) to the effective tax rate for the reporting period results in the following:

	2011 T€	2010 T€
Earnings before taxes	19,865.7	31,211.4
Income tax expense at tax rate of 25% (previous year: 25%)	4,966.4	7,802.8
Different foreign tax rates	3.7	–19.9
Tax-free income from equity interests	–247.5	–371.6
Effects of local tax rate changes	–3.1	15.4
Effect of non-recognised loss carryforwards	–38.0	–20.4
Frist-time capitalization of previously non-recognised loss carryforwards	19.1	–466.7
Tax expense for previous years	547.5	128.1
Permanent differences	841.1	1,298.3
Effective tax liability	6,089.2	8,366.0
Effective tax rate	30.7%	26.8%

The item "Permanent differences" includes non-deductible expenses as well as the effect of consolidation entries.

Notes to the balance sheet

NOTE 9: Intangible assets, and property, plant and equipment

A detailed breakdown of the developments in this regard is presented in the schedule of non-current assets which forms an integral part of these consolidated financial statements. The effects of changes in the scope of consolidated companies are presented in a separate column. Those amounts that arise from differences in the translation of assets applying the exchange rate prevailing at the beginning and at the end of the reporting year for foreign companies are reported as currency-related differences.

Testing goodwill with an indefinite useful life for impairment:
Goodwill acquired in connection with business combinations and of an indefinite useful life was allocated to the acquired individual companies or to the material cash generating units for the purpose of testing for impairment.

In testing for impairment, the recoverable value of cash generating units or individual companies is calculated based on the calculation of useful life, applying cash flow forecasts. Cash flow forecasts are based on financial plans approved by the management for a period of three years. The short-term discount rate applied for cash flow forecasts is 7.57%, and for the terminal value 8.18% (2010: 7.16%/8.18%). Cash flows occurring after the period of three years are extrapolated assuming growth rates of between 1.0% and 3.0% (2010: 1.0% and 3.0%). A sensitivity analysis in which the discount rates were set at about 50 basis points higher in each case would result in a further write-down of goodwill of cash generating units amounting to T€2,901. There are sources of estimation uncertainty in respect to the assumption made relating to revenues, changes in working capital, investment plans and discount rate.

The main goodwill concerns BWT Aqua in Switzerland with T€10,861.3 (previous year: T€10,861.3) and the cash generating unit Pharma (P&LS) with T€7,141.8 (previous year: T€7,141.8) and BWT France with T€7,319.9 (previous year: T€6,652.3) The name of the cash generating unit Softener France was changed to BWT France in 2010 following the merger of the French subsidiaries. For explanations of the impairments recognised, please see Note 5.

Development costs are only capitalised to the extent to which the necessary conditions in accordance with IAS 38 are fulfilled, in particular when the technical useful life is regarded as applicable. Direct expenses for research and development projects amounted to €7.4 million (previous year: €6.2 million) of which T€651.6 (previous year: T€470.0) were capitalised.

The balance sheet item "Land and buildings" comprises property with a value of T€21,382.9 (previous year: T€19,848.8).

Mortgage collateral amounts to T€12,339.6 (previous year: T€12,208.4). Purchase commitments for major investment projects totalled T€6,341.3 (previous year: T€874.6) as at 31 December 2011. The increase can be attributed predominantly to the ongoing investment programmes at the Mondsee site.

NOTE 10: Financial investments

	Book value 31.12.2011 T€	Book value 31.12.2010 T€
Investments	2,772.7	3,459.0
Securities	1,486.9	1,362.7
	4,259.6	4,821.7

Investments relate to equity interests held in the following companies:

Company	Interest	Book value 31.12.2011 T€	Book value 31.12.2010 T€
Nomura Micro Science Co. Ltd., Japan	3.50%	1,483.6	2,332.5
Wiener Börse AG, Austria	0.79%	274.6	274.6
Orige, France	8.85%	299.2	299.2
INET, Czech Republik	49.00%	214.4	0.0
Syclope, France	11.94%	140.5	140.5
Other		360.4	412.2
		2,772.7	3,459.0

The securities comprise the following:

	31.12.2011 T€	31.12.2010 T€
Fund units	275.2	205.2
Other securities	1,087.5	1,094.5
	1,486.9	1,362.7

As far as it was possible to determine market values for the securities, changes in value were recorded in equity without recognition in profit or loss. Value impairments are recognised in profit or loss.

NOTE 11: Inventories

	2011 T€	2010 T€
Raw materials and supplies	26,394.1	23,594.2
Unfinished goods	9,321.8	8,743.0
Finished goods and products	31,764.0	32,969.7
Services not yet invoiced	1,106.1	611.2
Prepayments	1,340.5	1,619.0
Total	69,926.5	67,537.1

As at 31 December 2011, valuation allowances of €6.1 million (previous year: €6 .0 million) were recognised for carrying amounts in fair value less cost to sell of €18.1 million (previous year: €16.6 million). In the consolidated statement of comprehensive income, the valuation allowances on inventories are expensed in the amount of T€280.1 (previous year: T€934.4).

NOTE 12: Receivables and other assets

2011	Total T€	of which current T€	of which non-current T€
Trade receivables	71,671.5	71,671.5	–
Receivables from construction contracts	11,453.3	11,453.3	–
Income tax assets	307.0	307.0	–
Other third-party receivables	13,179.0	11,975.7	1,203.3
Total	96,610.8	95,407.5	1,203.3

2010	Total	of which current	of which non-current
	T€	T€	T€
Trade and other receivables	68,116.0	68,116.0	–
Receivables from construction contracts	11,851.3	11,851.3	–
Income tax assets	2,700.7	2,700.7	–
Other third-party receivables	7,451.2	6,671.4	779.7
Total	90,119.2	89,339.4	779.7

Maturity structure of trade receivables:

In T€	Total gross receivables	Neither past due nor impaired	Past due and impaired	Past due but not impaired		
				< 60 days	60 - 90 days	> 90 days
2011	75,138.5	54,488.0	3,159.2	12,418.9	1,739.3	3,333.1
2010	71,121.0	51,890.7	4,371.1	11,172.5	1,008.6	2,678.0

Change of impairment losses on receivables:

	2011	2010
	T€	T€
Start of year	3,004.9	2,499.1
Impairments of receivables	1,931.6	1,508.9
Amounts written down due to uncollectability	–129.0	–119.5
Amounts from receivables written down received during the financial year	–57.9	–60.8
Impairment losses	–1,178.5	–822.7
Accrued interest	–104.1	0.0
End of year	3,467.0	3,004.9

If no definitive event of default has occurred, allowances are recognised when necessary. Receivables are only written down once the default has become effective.

As at 31 December 2011, trade receivables were impaired to T€3,467.0. Such impairments are partially based on the number of reminder levels. Moreover, the Company runs individual impairment tests for material past due receivables. We have no indications of default in the case of receivables which are not yet due.

NOTE 13: Receivables from construction contracts

Information regarding construction contracts	2011	2010
	T€	T€
Contract revenues in the financial year	42,249.0	40,673.4
Cumulative costs until 31.12.	43,722.5	49,223.4
Cumulative profits realized until 31.12.	8,999.5	9,890.2
Cumulated losses realized until 31.12.	860.8	531.7
Prepayments received	47,028.2	52,597.5

Wherever permissible, prepayments received were offset against receivables from construction contracts.

Construction contracts with debit balances in relation to customers amounted to T€6,478.7 (previous year: T€5,357.5).

NOTE 14: Other receivables from third parties

There was no securitisation of receivables in the form of bills of exchange as at the balance sheet date.

NOTE 15: Assets held for sale

Since 31 December 2009, one company consolidated at equity was included in the consolidated financial statements. In the fourth quarter of 2010, BWT decided to reduce successively its shareholding in Christ Nishotech Water Systems Pte. Ltd, Mumbai, India, and sell it on to its Indian partner. As at 31 December 2010, the company consolidated at equity was recognised as held-for-sale. As at 31 December 2011, the remaining holding (39%) was recognised at the balance sheet date as "held-for-sale" because a part of the planned sale had been delayed for reasons attributable to the buyer. The planned reduction to 19% is expected to be achieved during 2012.

NOTE 16: Cash and cash equivalents

	31.12.2011 T€	31.12.2010 T€
Bank balances	13,690.0	17,032.9
Cash at hand	134.1	160.0
Cheques	462.5	390.1
Total = cash and cash equivalents (net) in the cash flow statement	14,286.6	17,583.0

NOTE 17: Tax accruals/deferrals

Deferred taxes result from the following timing and accounting differences between carrying amounts in IFRS financial statements and from the respective assessment bases for taxation purposes and are as follows:

	31.12.2011 T€	31.12.2010 T€
Deferred tax assets:		
Social capital provisions	2,232.8	2,484.7
Deferred tax claims arising from tax loss carryforwards	4,833.6	1,453.9
Various tax write-downs of non-current assets	1,577.5	2,420.4
Non-tax deductible receivables values	97.0	200.2
Non-tax deductible provisions	730.0	760.0
Other (temporary valuation differences)	445.4	474.2
Deferred tax claims	9,916.3	7,793.4
Deferred tax liabilities:		
Capitalized R&D	963.5	968.2
Various tax write-downs of property, plant and equipment and immaterial assets	210.7	223.2
Revaluation of financial assets available for sale	1,224.3	334.1
Various taxation of land property	675.5	691.1
Differences due to production orders (POC)	1,003.2	1,609.0
Revaluation of assets within the framework of acquisition price assignment	321.5	389.2
Other (temporary valuation differences)	502.0	498.5
Deferred tax liabilities	4,900.7	4,713.3
Deferred tax assets/(liabilities)	5,015.6	3,080.1
Recorded as follows in the balance sheet:		
Deferred tax claims	6,871.3	4,626.3
Deferred tax liabilities	–1,855.7	–1,546.2
Deferred tax assets/(liabilities)	5,015.6	3,080.1

With regard to deferred tax claims and tax liabilities, the items have been presented net across the Group for each underlying cause. In accordance with IAS 12, deferred taxes on existing losses carried forward amounting to T€4,833.6 (previous year: T€1,453.9) were capitalised, as these can be netted against future taxable profits. Deferred tax on losses carried forward were capitalised in the probable amount which can be netted against future taxable profits. For deferred taxes on existing losses carried forward, any time limitation regarding the use of loss carryforwards was accounted for in certain countries. Moreover, non-capitalised loss carryforwards amount to T€3,226.0 (previous year: T€9,262.7).

NOTE 18: Equity

The composition and development of the equity recognised in the balance sheet is presented in the development of Group equity.

BWT's share capital consists of 17,833,500 no-par value shares (previous year: 17,833,500), each of which represents an equal share in the share capital. All issued shares are fully paid-up.

The major shareholders of the BWT Group as at 31 December 2011 are WAB Privatstiftung (17.8%) and FIBA Beteiligungs- und Anlage GmbH (8.4%). 1,039,339 shares were repurchased by the company under the share buyback programme and are held as treasury shares. The free float of 68.0% is held by Austrian and international investors. BWT's shares are listed on the Prime Market of the Vienna Stock Exchange under International Security Identification No. AT0000737705. In the USA, BWT's shares are traded on the OTC market via a Sponsored Level 1 ADR Programme operated by the Bank of New York Mellon.

Under the Articles of Association of BWT AG, the Management Board is authorised to increase the equity capital of the company by up to a further €8,916,500 to €26,750,000 by 20 June 2012 through the issue of new shares.

The tied-up capital reserves of BWT Aktiengesellschaft, the parent company, amounting to T€17,095.8 are not distributable but result from the premium on the 1994 share issue and are presented in the capital reserves.

The balance of accumulated profit and loss includes retained profits, the cumulative other earnings comprising other earnings (actuarial gains/losses, valuation of securities less taxes and the acquisition of a non-controlling interest) and currency translation differences.

Losses are then also allocated to the non-controlling interest if this results in a negative balance.

The resolution of the Annual General Meetings of 24 May 2007, 20 May 2008 and 26 May 2010 authorised the Management Board to buy back the Company's own shares. Between 2008 and 2011, the Management Board exercised this right by conducting a total of four programmes. Between 17 March 2011 and 07 December 2011, 396,226 shares were acquired. Between 18 February 2010 and 22 March 2010, 243,256 shares were acquired. On 10 February 2009, 75,000 shares and between 20 November 2009 and 21 December 2009, 12,438 shares were acquired. Between 11 April 2008 and 20 May 2008, 39,404 shares and between 28 August 2008 and 18 November 2008, 273,015 shares were acquired. In total, 1,039,339 own shares (equivalent to 5.8% of the share capital) were thus acquired at a cost of €18,957,673.34. The weighted purchase price was thus €18.24 per share.

In financial year 2011, a dividend payment amounting to T€6,729.6 (previous year: T€6,876.2) was distributed, which corresponds to 0.40 € per share (previous year: €0.40).

NOTE 19: Provisions for social capital

The calculation of social capital provisions (pension, severance payment and long-service bonus provision) was made in accordance with the provisions of IAS 19.

PROVISIONS FOR PENSIONS

The following parameters were applied in performing calculations using the projected unit credit method:

Biometric calculation bases	2011	2010
Actuarial discount rate Eurozone	5.00%	4.50%
Actuarial discount rate Switzerland	2.50%	2.50%
Wage/salary trend Eurozone	3.00%	3.00%
Wage/salary trend Switzerland	1.50%	1.50%
Pension trend	0.00% – 2.00%	0.00% – 1.00%
Expected return on plan assets Switzerland	2.50%	2.75%
Expected return on plan assets Eurozone	2.80% – 3.80%	3.80% – 4.20%

Retirement age was established on the basis of the legal provisions in force in the individual countries. The turnover rate in Switzerland is based on the Swiss Federal Law on Occupational Old-Age, Survivors and Invalidity Pensions (BVG 2010), whereas in other countries the rate varied from 0.0% to 2% depending on age.

Changes in the present value of defined benefit obligations of the respective plans, divided into plans with and without plan assets, are as follows:

	2011			2010		
in T€	Without plan assets	With plan assets	Total	Without plan assets	With plan assets	Total
Present value of the pension obligations as at 1 January	18,478.3	27,921.8	46,400.1	16,518.3	19,555.1	36,073.5
Change in scope of consolidation	–22.6	0.0	–22.6	0.0	0.0	0.0
Expenses arising from time in service	107.9	4,876.0	4,983.9	96.2	3,604.5	3,700.7
Interest expenses	811.9	721.7	1,533.7	880.7	584.4	1,465.1
Pension payments	–1,112.4	–3,575.6	–4,688.0	–1,061.4	–2,754.8	–3,816.2
Actuarial profits/losses	–970.5	1,011.8	41.2	2,044.5	2,940.9	4,985.4
Exchange rate differences	0.0	1,121.1	1,121.1	0.0	3,991.6	3,991.6
Present value of pension obligations as at 31 December	17,292.6	32,076.8	49,369.4	18,478.3	27,921.8	46,400.1
Plan assets	0.0	–28,434.9	–28,434.9	0.0	–25,008.5	–25,008.5
Provisions for pensions	17,292.6	3,641.9	20,934.5	18,478.3	2,913.3	21,391.6

Actuarial gains/losses were recorded in equity without recognition in profit or loss in accordance with IAS 19. The interest expense was recognised in the financial result. The remaining components are included in personnel expenses.

In a sensitivity analysis calculation, the pension provision would decrease T€2,340.5 (previous year: T€2,789.0) if the actuarial discount rate went up by 50 basis points and increase T€2,457.4 (previous year: T€2,892.8) if the actuarial discount rate went down by 50 basis points.

Plan assets consist entirely of reinsurance policies. The changes in the fair value of the plan assets are as follows:

in T€	2011	2010
Fair value of plan assets as at 1st January	25,008.5	19,135.0
Expected yield	713.2	575.0
Employer contributions	1,246.2	1,057.6
Contributions of participants in the plan	3,748.4	2,707.2
Benefits paid out	–3,401.4	–2,754.8
Actuarial profits/losses	375.8	562.6
Currency differences	744.0	3,726.0
Fair value of plan assets as at 31 December	28,434.9	25,008.5

The actual yield for the plan assets is the expected yield plus actuarial gains and losses. Employer contributions estimated for the next financial year are expected to have a similar value to those paid in financial year 2011.

Amounts paid in the current and previous four reporting periods are as follows:

in T€	2011	2010	2009	2008	2007
Present value of defined contribution-based obligations	49,369.4	46,400.1	36,073.5	31,603.0	32,857.1
Fair value of plan assets	28,434.9	25,008.5	19,135.0	15,959.0	15,412.5
Actuarial profits/losses of plans	20,934.5	21,391.5	16,938.5	15,644.0	17,444.6
Adjustments of DBO on the basis of experience	–403.2	4,450.1	976.7	–1,763.2	–1,914.3
Adjustments of plan assets on the basis of experience	375.8	562.6	–111.7	61.4	97.7

In 2007 and 2008, the line items for experience-based adjustments report all actuarial gains/losses in accordance with the information available from the individual expert reports.

The accumulated actuarial gains and losses relating to pension and severance pay provisions in other earnings amount to T€ -4,449.9 (previous year: T€ -4,737.9) after taxes.

PROVISIONS FOR SEVERANCE PAYMENTS

The following parameters were applied in performing calculations using the projected unit credit method:

Biometric calculation bases	2011	2010
Acturial discount rate	5.00%	4.50%
Wage/salary trend	3.00%	3.00%

The expected yield of the plan assets was calculated with an interest rate of 3.50%. Retirement age was established on the basis of the legal provisions in force in the individual countries. A turnover rate of between 0.0% and 12.0% was selected, depending on age. Changes in the present value of defined benefit obligations of the respective plans, divided into plans with and without plan assets, are as follows:

	2011			2010		
in T€	Without plan assets	With plan assets	Total	Without plan assets	With plan assets	Total
Present value of obligations (DBO) as at 1st January	5,447.9	2,003.4	7,451.3	5,400.4	1,527.7	6,928.1
Change in scope of consolidation	–192.6	45.7	–146.8	–618.7	0.0	–618.7
Reclassification	0.0	0.0	0.0	–78.3	78.3	0.0
Expenses arising from time in service	268.0	142.9	410.9	265.8	245.8	511.6
Interest expense	233.1	95.3	328.4	254.1	84.9	339.1
Severance payments	–731.2	–25.4	–756.6	–405.8	–48.0	–453.8
Actuarial profits/losses	–211.8	–94.2	–306.1	630.4	114.7	745.0
Present value of obligations (DBO) as at 31st December	4,813.4	2,167.7	6,981.1	5,447.9	2,003.4	7,451.3
Plan assets	0.0	–586.4	–586.4	0.0	–582.9	–582.9
Provisions for severance payments	4,813.4	1,581.3	6,394.8	5,447.9	1,420.5	6,868.4

Actuarial gains/losses were recorded in equity without recognition in profit or loss in accordance with IAS 19. The interest expense was recognised in the financial result. The remaining components are included in personnel expenses. Changes to the plan assets are recognised in a similar way.

In a sensitivity analysis calculation, the provision for severance payments would decrease T€92.0 (previous year: T€390.7) if the actuarial discount rate went up by 50 basis points and increase T€637.4 (previous year: T€425.6) if the actuarial discount rate went down by 50 basis points .

Plan assets consist of reinsurance policies. The changes in the fair value of the plan assets are as follows:

	2011 T€	2010 T€
Fair value of plan assets as at 1st January	582.9	605.6
Expected yield	20.4	20.5
Benefits paid-out	0.0	–41.4
Actuarial gains and losses	–16.9	–1.8
Fair value of plan assets as at 31st December	586.4	582.9

The actual yield for the plan assets is the expected yield plus actuarial gains and losses. Employer contributions estimated for the next financial year are expected to have a similar value to those paid in financial year 2011.

Amounts paid in the current and previous four reporting periods are as follows:

	2011 T€	2010 T€	2009 T€	2008 T€	2007 T€
Present value of contribution based obligation	6,981.1	7,451.3	6,928.1	6,270.7	6,185.9
Fair value of plan assets	586.4	582.9	605.6	565.5	548.3
Actuarial profits/losses of plans	6,394.7	6,868.4	6,322.5	5,705.2	5,637.6
Adjustments to DBO on the basis of experience	75.6	108.0	172.1	283.3	–133.6

No adjustments have been made to plan assets on the basis of experience in the 5 years. In 2007 and 2008, the line item for experience-based adjustments reports all actuarial gains/losses in accordance with the information available from the individual expert reports.

ANNIVERSARY BONUS PROVISIONS

The following parameters were applied in performing calculations using the projected unit credit method:

Biometric calculation bases	2011	2010
Discount rate	5.00%	4.50%
Wage/salary trend	3.00%	3.00%

Retirement age was established on the basis of the legal provisions in force in the individual countries. A turnover rate of between 0.0% and 12.0% was selected, depending on age.

Changes in the present value of defined benefit obligations are as follows:

	2011 T€	2010 T€
Present value of obligations (DBO) on 1.1.	1,243.1	1,075.3
Service costs	117.6	122.0
Interest expense	57.2	58.0
Anniversary bonus payments	–102.6	–60.1
Actuarial gains/losses	–86.2	47.8
Present value of obligations (DBO) on 31.12.	1,229.1	1,243.1

Actuarial gains/losses were recorded as service costs under personnel expenses in accordance with IAS 19. The interest expense was recognised in the financial result. The remaining components are included in personnel expenses.

In a sensitivity analysis calculation, the provision for anniversary bonuses would decrease by T€50.4 if the actuarial discount rate went up 50 basis points and increase by T€54.3 if the actuarial discount rate went down 50 basis points.

Amounts paid in the current and previous four reporting periods are as follows:

	2011 T€	2010 T€	2009 T€	2008 T€	2007 T€
Present value of defined benefit obligations	1,229.1	1,243.1	1,075.3	957.2	924.7
Experience-based adjustments to DBO	105.3	–46.5	–0.5	–35.5	–14.1

In 2007 and 2008, the line item for experience-based adjustments reports all actuarial gains/losses in accordance with the information available from the individual expert reports.

NOTE 20: Other provisions

The development of other provisions, which were recognised according to IAS 37, is presented in the table below:

2011	01.01.2011 T€	Change in scope of consolidation T€	Currency difference T€	Utilisation T€	Release T€	Addition T€	31.12.2011 T€	of which non-current T€
Guarantees	4,327.1	–178.0	–5.9	3,457.2	344.2	3,477.1	3,818.9	471.9
Bonuses, rebates	1,387.6	0.0	5.7	1,679.9	28.7	1,749.1	1,433.7	0.0
Annual financial statement costs	442.6	–23.8	2.5	426.7	23.9	419.2	389.8	0.0
Litigation	97.7	–21.8	–0.3	54.4	21.2	234.3	234.3	0.0
Events causing damage	486.0	0.0	0.5	104.5	21.0	208.4	569.5	0.0
Other	4,313.2	–1,290.0	16.0	2,286.2	529.4	4,452.8	4,676.5	1,042.7
	11,054.1	–1,513.6	18.5	8,008.8	968.4	10,540.9	11,122.7	1,514.6

2010	01.01.2010 T€	Change in scope of consolidation T€	Currency difference T€	Utilisation T€	Release T€	Addition T€	31.12.2010 T€	of which non-current T€
Guarantees	4,500.4	–	116.7	3,182.4	534.2	3,426.6	4,327.1	710.7
Bonuses, rebates	730.0	–0.3	1.3	728.7	4.3	1,389.5	1,387.6	0.0
Annual financial statement costs	476.5	–32.4	8.6	360.8	48.5	399.3	442.6	0.0
Litigation	274.2	–103.7	2.2	94.2	41.9	61.0	97.7	0.0
Events causing damage	683.2	–17.0	2.5	137.9	164.9	120.0	486.0	0.0
Other	5,631.8	–102.6	32.0	2,912.4	1,312.4	2,976.7	4,313.2	1,434.9
	12,296.0	–255.9	163.3	7,416.3	2,106.2	8,373.2	11,054.1	2,145.6

The provisions for guarantees concern the costs of expected complaints relating to products which are still under guarantee. It is expected that most of these costs will be incurred within the next financial year and in the case of guarantee provisions within the guarantee period of essentially up to three years after the balance sheet date.

Other provisions include the provision for sales representatives' severance claims. Owing to the nature of the provision, the timing cannot be predicted.

NOTE 21: Liabilities

2011	Total	Residual maturity of less than 1 year	Residual maturity between 1 year and 5 years	Residual maturity of more than 5 years	Residual maturity of more than 1 year and collateralised
	T€	T€	T€	T€	T€
Interest-bearing financial liabilities (repayments)	31,369.1	8,056.7	23,312.4	0.0	12,339.6
Trade liabilities	39,340.8	39,340.8	0.0	0.0	0.0
Other liabilities	45,711.0	44,376.9	1,334.1	0.0	0.0
Of which					
Payments on account	10,282.1	10,282.1	0.0	0.0	0.0
Liabilities from acceptance of bills of exchange drawn and from own bills of exchange issued	1,787.5	1,787.5	0.0	0.0	0.0
Other liabilities	33,641.4	32,307.3	1,334.1	0.0	0.0
	116,420.9	91,774.4	24,646.5	0.0	12,339.6
Existing interest payment obligations for interest-bearing financial liabilities	2,259.2	692.0	1,567.2	0.0	0.0
Non-discounted liabilities in accordance with IFRS 7.39 (a) (b)	118,680.1	92,466.4	26,213.7	0.0	12,339.6

2010	Total	Residual maturity of less than 1 year	Residual maturity between 1 year and 5 years	Residual maturity of more than 5 years	Residual maturity of more than 1 year and collateralised
	T€	T€	T€	T€	T€
Interest-bearing financial liabilities (repayments)	27,390.7	21,055.9	6,334.8	0.0	5,843.0
Trade liabilities	34,813.2	34,813.2	0.0	0.0	0.0
Other liabilities	43,334.4	42,082.6	1,251.8	0.0	0.0
Of which					
Payments on account	9,475.1	9,475.1	0.0	0.0	0.0
Liabilities from acceptance of bills of exchange drawn and from own bills of exchange issued	1,925.3	1,925.3	0.0	0.0	0.0
Other liabilities	31,934.0	30,682.2	1,251.8	0.0	0.0
	105,538.2	97,951.6	7,586.6	0.0	5,843.0
Existing interest payment obligations for interest-bearing financial liabilities	727.4	310.1	417.3	0.0	0.0
Non-discounted liabilities in accordance with IFRS 7.39 (a) (b)	106,265.6	98,261.7	8,003.9	0.0	5,843.0

Other liabilities include for example other tax liabilities of T€7,855.9 (previous year: T€6,285.6) and other social security liabilities of T€2,940.5 (previous year: T€2,914.6).

Collateral in rem mainly consists of mortgage rights.

RENTAL AND LEASE AGREEMENTS

BWT Group has concluded operating rental and lease agreements with a number of contractual partners, which mainly relate to the use of buildings, offices and cars. The minimum amounts payable under those agreements in the future are as follows:

2011	T€
2012	11,611.3
2013-2016	14,767.4
thereafter	4,616.7

2010	T€
2011	11,030.0
2012-2015	14,575.0
thereafter	4,356.4

Total rent and leasing expenses in the financial year amounted to T€13,079.7 (previous year: T€12,475.1).

No significant finance lease agreements were concluded.

WARRANTIES AND GUARANTEES

The Company assumed warranties and guarantees in the course of its normal business operations.

Furthermore, in 2009 an undertaking to purchase a property with a preliminary purchase price of approximately T€770.0 was signed, which is expected to be fulfilled in the financial year 2012.

Last year, contingent liabilities included a purchase agreement with suspensive conditions for the acquisition of land concluded in financial year 2010, amounting to around T€2,000, which was likely to have an impact in 2011.

As at the balance sheet date, it is unlikely that claims will be made under all of the other warranties and guarantees.

PENDING LITIGATION

No legal disputes of extraordinary significance exist. For legal proceedings which are at a stage where the outcome can be predicted with a reasonable degree of certainty, a corresponding provision in line with IAS 37 was established. The management expects that the other disputes will have no significant impact on the net assets, financial position and results of operations of the BWT Group.

Notes to the cash flow statement

The cash flow statement shows how the funds of the Group changed during the reporting year as a result of cash inflows and outflows. The effects of company purchases were eliminated and are detailed in the item "Payments for the acquisition of non-controlling shares and participations". The cash flow statement distinguishes between operating, investing and financing activities. Cash and cash equivalents recorded in the cash flow statement include cash in hand, cheques, cash in bank and securities that qualify as cash equivalents.

NOTE 23: Cash flow from operating activities

Cash flow from operating activities shows the cash flows arising from transactions made and received in goods and services carried out during the financial year. Cash flows from current operating activities of T€26,350.4 (previous year: T€34,313.5) include changes in working capital.

NOTE 24: Cash flow from investment activities

Expenses on purchases of plant, property and equipment, intangible assets and financial investments totalled T€21,774.4 (previous year: T€14,929.4).

Outlays on acquisitions and takeovers of non-controlling interests totalled T€83.5 (previous year: T€5,156.7).

NOTE 25: Financial instruments

Financial risk management

The Group treasury performs services for business segments and coordinates access to national and international financial markets. It also monitors and controls financial risks associated with the Group's business segments. Interest and currency risks are considered to be considerable market risks.

Interest rate risk

As part of the company's business activities, it is necessary to use borrowed capital to finance current assets, investments and possible company expansions. The current borrowed capital has both fixed and variable interest rates and is both short and medium-term. Loans with a short-term fixed interest rate and variable interest loans are exposed to a standard market interest rate risk. The Management Board assesses the interest rate risk for the financial instruments shown in the balance sheet as low. Possible risks which may result from changes in the interest rate are regularly evaluated as part of the Group's financing activities.

The following interest rate sensitivity analysis was prepared assuming that with variable interest rates and short-term fixed interest rates (cash advances), interest rates in the reporting period would be 50 basis points higher or lower in all currencies. For the assessment of interest rate derivatives, the entire interest rate curve was shifted 50 basis points upwards or downwards. This represents the assessment of the Company's management in terms of a justified possible change in interest rates.

As a base case, the interest rate risk exposure of derivative and non-derivative instruments as at the balance sheet date was determined by assuming that the liabilities or receivables outstanding as at the balance sheet date were outstanding for the entire year.

If interest rates were 50 basis points higher, and all other variables remained constant, net interest income would be T€3.8 higher (previous year: T€20.9 higher). With interest rates lower by 50 basis points and other variables constant, interest earnings would be T€3.8 lower (previous year: T€20.9 lower). The tested interest rate fluctuations have no direct impact on equity.

Exchange rate risks

The Company partly finances its operating resources, investments and possible expansion in foreign currencies. This is directly related to the international character of its operations. Covering transactions are carried out in the Group's central treasury for cash flows in foreign currencies and these reduce the negative repercussions of exchange rate fluctuations.

EUR/CHF, EUR/USD and EUR/PLN were identified as the most relevant currency pairs for the Group in the long term. The EUR/CHF risk is primarily related to the Swiss companies' EUR balance sheet items from operating activities, as well as CHF financial items of EUR companies.

The EUR/USD risk arises from USD balance sheet items. The EUR/PLN exchange rate primarily influences the Polish company. The following currency sensitivity analysis investigates the effects of an increase or decrease in the relevant currency pairs by 5% on the valuation of financial instruments as at the balance sheet date. This relates to the balance sheet date 31 December. The tested interest rate fluctuations have no direct impact on equity.

Impact on 2011 EBIT	Increase 5% in T€	Decrease 5% in T€
EUR/CHF exchange rate	275.8	–304.9
EUR/USD exchange rate	–6.3	6.9
EUR/PLN exchange rate	–57.3	63.4

Impact on 2010 EBIT	Increase 5% in T€	Decrease 5% in T€
EUR/CHF exchange rate	19.7	–21.8
EUR/USD exchange rate	22.2	–24.5
EUR/PLN exchange rate	–23.2	25.7

Liquidity risk/financing risk

Liquidity relates on the one hand to the ability to obtain sufficient financial resources in the form of cash and/or lines of credit at any given time to make due payments or to obtain necessary guarantees and suretyships from banks. On the other hand, it should also be guaranteed that available liquidity and financial investments are provided or can be accessed by the company practically without risk and at short notice.

A corporate-wide financing company operating within the Group, which also holds the existing cash pools, is available to control and optimise liquidity. BWT Group's investment strategy is orientated towards cooperating with financial partners of impeccable credit standing.

The BWT Group has access to sufficient bank credit lines. Due to the Group's good credit standing and its low level of net debt, at present we consider the financial market crisis to have no direct impact on its access to credit lines.

Non-discounted cash flow is detailed in Note 21.

Customer default/solvency risk

BWT's business activities are exposed to a risk that customers will not be able to fulfil, partially or completely, their payment obligations to the BWT Group.

In line with standard market practices, BWT Group attempts to reduce this risk by, for example, obtaining payment guarantees from banks and export credit agencies. Moreover, whenever necessary, the company covers risks in the project business with international credit insurers. The management makes sure that BWT Group companies obtain information about the credit standing of customers before signing agreements with them, e.g. by obtaining company information from reputable agencies.

Default risk management

BWT Group has trade receivables from a large number of customers distributed across various industries and regions. Credit assessments regarding the financial status of the receivables are carried out on an ongoing basis. Default insurance is taken out where appropriate. The default risk is limited to the recognised amount. As at 31 December 2011, the total of the five largest balances of outstanding receivables from individual customers amounted to T€5,299.9, i.e. 7.4% of outstanding trade receivables. As at 31 December 2010, that figure was T€3,510.8, i.e. 5.2%. Receivables from affiliated companies were not included in this figure, as made clear in Note 26.

Primary financial instruments

Primary financial instruments are presented in the balance sheet. On the assets side, they include investments in securities, liquid funds, trade receivables and other receivables. On the liabilities side, they include trade liabilities, other liabilities and interest-bearing financial liabilities. The carrying amount of primary financial instruments in the balance sheet basically reflects their market or fair value. On the assets side, the recorded amounts also reflect the maximum default and solvency risk, as there are no global set-off agreements. The risk related to receivables from customers is regarded as low, as the creditworthiness of new and existing customers is continually monitored and no more than 5% of total receivables are outstanding from any one customer.

Credit risk related to cash investments and securities is limited, as only a small number of securities are held, primarily in Austrian companies, and BWT Group only cooperates with financial partners which have impeccable creditworthiness.

Due to the decentralised character of BWT Group in Europe, loans for current assets are also taken out in the respective currencies of local companies. Exchange rate risks are therefore very limited, as outgoing invoices of foreign companies are mainly issued in the respective local currency.

Valuation categories of financial instruments

2011 in T€	Book value as at 31.12.2011	Loans and receivables	Liabilities at amortised cost	Available for sale	Held for trading purposes	Book value of financial instruments as at 31.12.2011	Not financial-instrument
Non-current assets							
Financial investments	4,259.6	–	–	4,259.6	–	4,259.6	–
Other receivables from third parties	1,203.3	1,203.3	–	–	–	1,203.3	–
Current assets							
Trade receivables	71,671.5	71,671.5	–	–	–	71,671.5	–
Other receivables from third parties	11,975.7	8,433.1	–	–	40.6	8,473.7	3,502.0
Cash & Cash equivalents	14,286.6	14,286.6	–	–	–	14,286.6	–
Non-current liabilities							
Interest-bearing financial liabilities	23,312.4	–	23,312.4	–		23,312.4	–
Other liabilities	1,334.1	–	1,334.1	–		1,334.1	–
Current liabilities							
Bonds	8,056.7	–	8,056.7	–	–	8,056.7	–
Interest-bearing financial liabilities	39,340.8	–	39,340.8	–	–	39,340.8	–
Other liabilities	44,376.9	–	6,930.0	–	43.1	6,973.1	37,403.8

The fair value of financial instruments reflects the carrying amounts as at 31 December 2011. An exception to this is the item financial liabilities for which the fair value is T€31,849.3 (carrying amount T€31,369.1).

2010 in T€	Book value as at 31.12.2010	Loans and receivables	Liabilities at amortised cost	Available for sale	Held for trading purposes	Book value of financial instruments as at 31.12.2010	Not financial-instrument
Non-current assets							
Financial investments	4,821.7	–	–	4,821.7	–	4,821.7	–
Other receivables from third parties	779.7	779.7	–	–	–	779.7	–
Current assets							
Trade receivables	68,116.0	68,116.0	–	–	–	68,116.0	–
Other receivables from third parties	6,671.4	3,724.4	–	–	31.8	3,756.2	2,915.2
Cash & Cash equivalents	17,583.0	17,583.0	–	–	–	17,583.0	–
Non-current liabilities							
Interest-bearing financial liabilities	6,334.8	–	6,334.8	–	–	6,334.8	–
Other liabilities	1,251.8	–	1,251.8	–	–	1,251.8	–
Current liabilities							
Bonds	21,055.9	–	21,055.9	–	–	21,055.9	–
Interest-bearing financial liabilities	34,813.2	–	34,813.2	–	–	34,813.2	–
Other liabilities	42,082.6	–	7,641.9	–	33.4	7,675.3	34,407.3

The fair value of financial instruments reflects the carrying amounts as at 31 December 2010.

Fair value

Disclosures regarding fair value of financial instruments

The fair value of financial instruments is the amount which is used for business transactions between knowledgeable, willing and independent business partners. The fair value is often identical to market price. It is therefore derived from market information available at the balance sheet date. Due to varying influencing factors, the values presented here may differ from values realised later.

Fair value hierarchy

2011	Level 1 T€	Level 2 T€	Level 3 T€	Total T€
Non-current assets				
Financial investments	1,883.0	–	–	1,883.0
Current assets				
Other receivables from 3rd parties	–	40.6	–	40.6
Current liabilities				
Other liabilities	–	43.1	–	43.1

2010	Level 1 T€	Level 2 T€	Level 3 T€	Total T€
Non-current assets				
Financial investments	2,607.6	–	–	2,607.6
Current assets				
Other receivables from 3rd parties	–	31.8	–	31.8
Current liabilities				
Other liabilities	–	33.4	–	33.4

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments depending on the valuation method:

Level 1: (unadjusted) prices listed on active markets for similar assets or liabilities

Level 2: procedures in which all input parameters that substantially affect fair value are either directly or indirectly observable;

Level 3: procedures which use input parameters that substantially affect the ascertained fair value and are not based on observable market data.

Financial investments designated Level 1 include stock exchange listed shares and fund units. Other receivables and other liabilities, which are designated Level 2, result from the valuation of outstanding derivative foreign exchange transactions.

Capital management

The primary objective of capital management in the Group is to make sure that it maintains a high credit rating and high equity ratio to support its business activities. The Management Board's objective is to maintain the equity ratio above 35%. Moreover, net debt and gearing in particular are monitored on a regular basis, the aim being to maintain gearing below 50%. Capital management is checked regularly to determine if it needs to be adjusted to current developments.

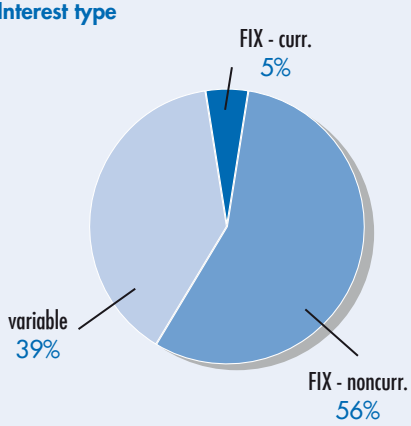
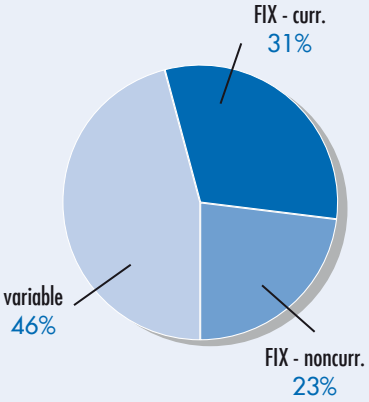
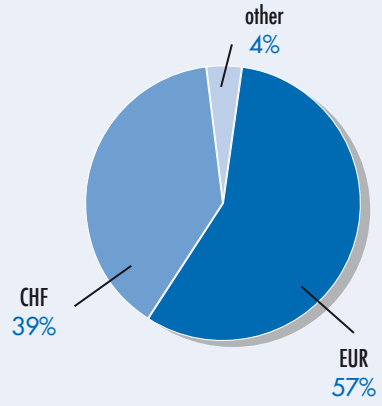
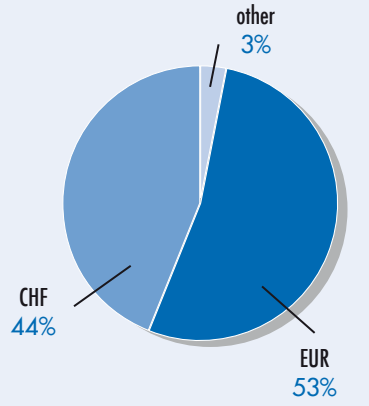
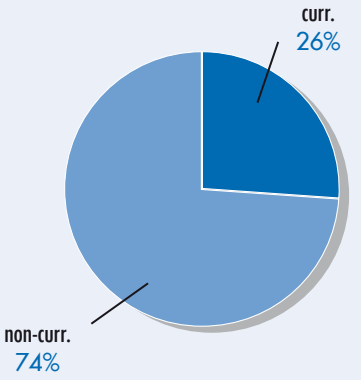
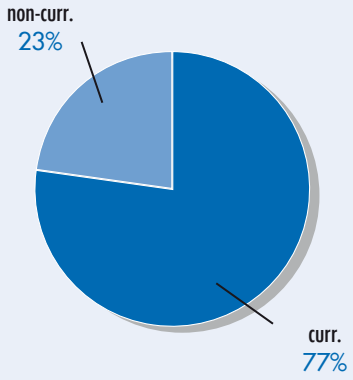
Net debt

Net debt as at the end of the year was as follows:

	31.12.2011 T€	31.12.2010 T€
Interest-bearing financial liabilities	31,369.1	27,390.7
less cash and cash equivalents	–14,286.6	–17,583.0
Net debt	17,082.5	9,807.7
Net debt	162,647.2	163,871.5
Net debt in relation to equity	10.5%	6.0%

Interest-bearing financial liabilities

The effective interest rate on the interest-bearing liabilities at a total of T€31,369.1 (previous year: T€27,390.7) was 2.71% (previous year: 2.13%) at the balance sheet date and can be broken down as follows:

	31.12.2011	31.12.2010
Interest type		
Currencies		
Maturity		

Derivatives

In order to secure exchange rate risk, BWT Group concluded the following currency futures contracts:

	Currency	31.12.2011 Nominal amount T€	31.12.2011 Market value T€	31.12.2010 Nominal amount T€	31.12.2010 Market value T€
Purchase of CHF futures against EUR	TCHF	2,085.4	14.8	1,110.0	7.8
Sale of CHF futures against EUR	TCHF	4,369.0	–11.6	541.1	–23.7
Purchase of SEK futures against EUR	TSEK	10,000.0	18.1	5,900.0	0.4
Purchase of USD futures against EUR	TUSD	600.0	3.9	750.0	23.5
Sale of USD futures against EUR	TUSD	1,046.0	–27.7	753.2	–9.7

The remaining terms of the currency futures contracts are all less than one year. Fair value is based on the futures rates as at the balance sheet date.

The carrying amounts of the financial assets correspond to the maximal loss risk to the balance sheet date. The market values of all currency futures contracts were recorded in net income as other current receivables or other liabilities. Hedge accounting is not used.

NOTE 26: Related party disclosures

In 2011, the BWT Group received materials or services from affiliated companies and persons in the amount of T€973.5 (previous year: T€0.0) and delivered to the same in the amount of T€3,298.1 (previous year: T€3,033.4). As at the balance sheet date 31 December 2011, BWT Group's receivables from affiliated companies and persons amounted to T€198.1 (previous year: T€239.5) and the company's liabilities to T€3.3 (previous year: T€0.7). Transactions with other affiliated companies and persons were carried out on normal regular market terms.

Liability was assumed for loans totalling €500 thousand for two managing directors of a subsidiary on normal market terms.

Total remuneration of Management Board members at BWT AG mainly consisted of short-term benefits and amounted in the financial year to T€832.9 (previous year: T€739.4). No payments were made to former members of the Management Board or to the survivors of such former members.

NOTE 27: Other disclosures

Material events after the balance sheet date

No reportable events occurred after the balance sheet date which would be significant for the valuation as at the balance sheet date.

Information on corporate bodies

Members of the Supervisory Board received compensation and expenses for their activities of T€55.0 (previous year: T€43.3) in the financial year 2011. There are no loans or credit guarantees granted to Management Board or Supervisory Board members.

The following persons were appointed as members of the Management Board in the financial year 2011:

- Mr. Andreas Weissenbacher (CEO)
- Mr. Gerhard Speigner

The Supervisory Board consisted of the following members in the financial year 2011:

- Dr Leopold Bednar (Chairman)
- Dr Wolfgang Hochsteger (Vice-Chairman)
- Mr Ekkehard Reicher
- Ms Gerda Egger
- Mr Klaus Reinhard Kastner to 25 May 2011
- Dr Helmut Schützeneder from 25 May 2011

Earnings per share

Basic = diluted earnings per share are calculated by dividing the Group earnings by the weighted number of outstanding ordinary shares during the year.

	2011	2010
Annual earnings in T€ attributable to shareholders of the parent company	13,590.1	22,725.1
Weighted number of shares in circulation	16,901,626	17,241,724
Earnings per share in €	0.80	1.32

Proposal for profit distribution

Pursuant to the provisions of the Austrian Stock Corporation Act (Aktiengesetz), the separate financial statements of BWT AG as at 31 December 2011, drawn up in accordance with Austrian accounting regulations, provide the basis for the payment of dividends.

The Management Board proposes the following profit distribution to the Annual General Meeting of Shareholders to be held on 24 May 2012:

a) A dividend payment of €0.28 per share for outstanding shares.
b) Carrying forward the remaining amount to the new financial year.

The consolidated financial statements as at 31 December 2011, drawn up in accordance with IFRS, were approved by the Management Board on 24 February 2012.

Mondsee, 24 February 2012

Andreas Weissenbacher
CEO

Gerhard Speigner
CFO

Overview of the material participations

As of December 31 2011, the scope of consolidation comprises the following companies:

Abbreviation	Company, location	Total in %	Indirectly in %	via	Consolidation
BWT	BWT Aktiengesellschaft, Mondsee				
BWTGMBHA	BWT Austria GmbH, Mondsee	100.000%			F
NEHER	Manufactur für Glas und Spiegel GmbH, Villach	100.000%	100.000%	BWTGMBHA	F
ASBET	Aqua Service Beteiligungen GmbH, Mondsee	100.000%			F
IAM	IAM - Immobilien Asset Management GmbH, Mondsee	100.000%	100.000%	ASBET	F
BWTGS	BWT Group Services GmbH, Mondsee	100.000%	100.000%	ASBET	F
WTA	WTA - Wassertechnischer Anlagenbau Plauen GmbH, Plauen	100.000%	100.000%	BWTGMBHA	F
BWTM	BWT Malta Holdings Ltd., Valetta	100.000%	100.000%	BWTGS	F
BWTITC	BWT International Trading Ltd, Sliema	100.000%	100.000%	BWTM	F
APS	arcana pool systems gmbh, Gerasdorf	100.000%			F
BWTD	BWT Wassertechnik GmbH, Schriesheim	100.000%			F
FUMA	FuMA-Tech GmbH, St. Ingbert	100.000%	100.000%	BWTD	F
W&MA	BWT water + more GmbH, Mondsee	100.000%	100.000%		F
W&MD	BWT water+more Deutschland GmbH, Wiesbaden	100.000%	100.000%	BWTD	F
W&MI	BWT water+more Italia srl, Bresso	100.000%	99.800%	W&MD	F
			0.200%	CCI	F
W&MESP	BWT water and more Ibérica S.L., Barcelona	100.000%	99.800%	W&MD	F
			0.200%	CILSP	F
BWT HU	BWT Hungária KFT, Budaörs	93.000%			F
HPOOL	hobby-pool technologies GmbH, Oranienbaum	100.000%	100.000%	BWTD	F
BWTB	BWT Belgium NV/SA, Zaventem	100.000%	100.000%	BWTD	F
BWTF	BWT France, Paris	100.000%			F
CAET	Christ Aqua AG, Aesch	100.000%			F
BWTINTCH	BWT International AG, Aesch	100.000%			F
CCI	Cillichemie Italiana Srl, Mailand	100.000%			F
CILSP	Cilit SA, Barcelona	100.000%	100.000%	CCI	F
BWTP	BWT Polska Sp.z o.o., Warschau	100.000%			F
BWTUKR	BWT Ukraine Ltd., Kiev	99.800%	99.800%	BWTP	F
BWTCR	BWT Česka republika s.r.o., Prag	100.000%			F
HOHDK	HOH Water Technology A/S, Greve	100.000%			F
HOHVAT	HOH Vattenteknik AB, Malmö	100.000%	100.000%	HOHDK	F
HOHBC	HOH Birger Christensen AS, Rud	100.000%	100.000%	HOHDK	F
HOHSEP	HOH Separtec OY, Raisio	100.000%	100.000%	HOHDK	F
BWTPRC	BWT Water Technology (Shanghai) Co. Ltd.	100.000%			F
BWTNL	BWT Nederland BV, Zoeterwoude	100.000%			F
BWTRU	OOO BWT, Moskau	80.000%			F
BWTUK	BWT UK Limited, High Wycombe	100.000%			F
PLSBET	P & LS Beteiligungs GmbH, Mondsee	100.000%			F
PLSHOLD	P & LS Holding GmbH, Mondsee	100.000%	100.000%	PLSBET	F
PLSD	BWT Pahrma & Biotech GmbH, Vaihingen	100.000%	100.000%	PLSHOLD	F
PLSCH	BWT Pharma & Biotech AG, Aesch	100.000%	100.000%	PLSHOLD	F
PLSNORD	BWT Pharma & Biotech AB, Malmö	100.000%	100.000%	PLSHOLD	F
PLSIRL	BWT Ireland Ltd., Ashbourne	100.000%	100.000%	PLSHOLD	F
PLSCN	Christ Aqua Pharma & Biotech Ltd., Shanghai	100.000%	100.000%	PLSHOLD	F

F = fully consolidated

Development of fixed assets (Appendix V.2.)

2011 in T€	ACQUISITION/PRODUCTION COST						
	1.1.2011	Currency difference	Reclassi-fication	Initial consoli-dation	Additions	Disposals	31.12.2011
Intangible assets	91,384.6	107.8	217.5	667.6	2,529.3	2,704.4	92,202.2
Goodwill	38,810.3	–	–	667.6	0.0	1,522.0	37,955.9
Other intangible assets	52,574.3	107.8	217.5	–	2,529.3	1,182.4	54,246.4
Concessions, rights, licenses	39,213.6	100.9	117.5	–	1,877.8	1,149.3	40,160.4
R & D capitalized (self-provided)	13,360.7	6.9	100.0	–	651.6	33.1	14,086.0
Tangible assets	165,513.6	758.7	–217.5	13.3	21,343.0	14,158.8	173,252.4
Land and Buildings	81,329.8	314.8	2,883.9	–	7,363.5	6,360.0	85,531.9
Lands	19,848.8	183.5	–	–	2,086.4	735.8	21,382.9
Buildings	61,481.0	131.3	2,883.9	–	5,277.1	5,624.2	64,149.0
Technical equipment and machinery	40,546.5	1.7	409.2	5.4	3,102.9	3,366.9	40,698.9
Factory and office equipment	38,643.9	368.7	23.6	7.9	4,719.6	4,401.6	39,362.2
Prepayments and construction in progress	4,993.5	73.5	–3,534.2	–	6,157.0	30.4	7,659.4
TOTAL	256,898.2	866.5	0.0	680.8	23,872.3	16,863.2	265,454.6

2010 in T€	ACQUISITION/PRODUCTION COST						
	1.1.2010	Currency difference	Reclassi-fication	Initial consoli-dation	Additions	Disposals	31.12.2010
Intangible assets	84,807.4	479.6	349.9	937.0	5,050.2	239.5	91,384.6
Goodwill	37,645.3	0.0	0.0	937.0	228.0	0.0	38,810.3
Other intangible assets	47,162.1	479.6	349.9	0.0	4,822.2	239.5	52,574.3
Concessions, rights, licenses	34,309.1	441.9	349.9	–	4,352.2	239.5	39,213.6
R & D capitalized (self-provided)	12,853.0	37.7	–	–	470.0	–	13,360.7
Tangible assets	159,307.9	4,684.9	–349.9	2,005.7	10,497.6	10,632.6	165,513.6
Land and Buildings	81,963.1	3,786.7	304.6	1,439.7	144.0	6,308.3	81,329.8
Lands	20,046.7	1,547.0	–	206.0	0.0	1,951.0	19,848.8
Buildings	61,916.3	2,239.7	304.6	1,233.7	144.0	4,357.3	61,481.0
Technical equipment and machinery	39,336.3	115.7	484.3	210.4	1,510.3	1,110.6	40,546.5
Factory and office equipment	36,780.5	762.3	72.4	355.7	3,886.7	3,213.8	38,643.9
Prepayments and construction in progress	1,228.0	20.1	–1,211.2	–	4,956.6	–	4,993.5
TOTAL	244,115.4	5,164.4	0.0	2,942.8	15,547.8	10,872.2	256,898.2

AMORTIZATION/DEPRECIATION							BOOK VALUE	
1.1.2011	Currency difference	Reclassification	Initial consolidation	Depreciations	Disposals	31.12.2011	31.12.2011	31.12.2010
36,300.5	12.9	9.4	4,112.0	3,074.1	2,478.8	41,030.0	51,172.2	55,084.1
–	–	–	–	1,832.8	1,543.8	6,954.8	31,001.1	32,144.4
29,634.6	12.9	9.4	4,112.0	1,241.4	935.0	34,075.2	20,171.2	22,939.7
19,667.7	6.1	9.4	3,356.3	1,241.4	935.0	23,345.8	16,814.6	19,545.9
9,966.9	6.9	–	755.7	–	–	10,729.4	3,356.6	3,393.8
84,425.2	97.9	–9.4	10,206.4	0.0	9,509.9	85,210.1	88,042.2	81,088.4
28,260.0	–6.6	1.5	2,703.0	–	3,381.9	27,576.0	57,956.0	53,069.8
0.0	–	–	–	–	–	0.0	21,382.9	19,848.8
28,260.0	–6.6	1.5	2,703.0		3,381.9	27,576.0	36,573.1	33,221.0
26,979.3	9.6	–0.9	3,418.5	–	2,703.7	27,702.9	12,995.9	13,567.2
29,185.9	94.8	–10.0	3,994.8	–	3,424.2	29,841.3	9,520.9	9,458.0
–	–	–	90.0	–	0.1	89.9	7,569.5	4,993.5
120,725.6	110.8	0.0	14,318.4	3,074.1	11,988.7	126,240.2	139,214.5	136,172.5

AMORTIZATION/DEPRECIATION							BOOK VALUE	
1.1.2010	Currency difference	Reclassification	Initial consolidation	Depreciations	Disposals	31.12.2010	31.12.2010	31.12.2009
30,572.2	150.6	0.0	4,171.1	1,543.8	137.2	36,300.5	55,084.1	54,235.3
5,122.1	0.0	0.0	0.0	1,543.8	0.0	6,665.9	32,144.4	32,523.2
25,450.1	150.6	0.0	4,171.1	0.0	137.2	29,634.6	22,939.7	21,712.0
16,488.2	112.9	–	3,203.8	–	137.2	19,667.7	19,545.9	17,821.0
8,961.9	37.7	–	967.2	–	–	9,966.9	3,393.8	3,891.1
79,511.4	843.8	0.0	9,995.2	0.0	5,925.2	84,425.2	81,088.4	79,796.5
27,279.0	328.9	0.0	2,723.0	0.0	2,071.0	28,260.0	53,069.8	54,684.1
0.0	–	–	–	–	–	0.0	19,848.8	20,046.7
27,279.0	328.9	–	2,723.0	–	2,071.0	28,260.0	33,221.0	34,637.3
24,678.1	32.6	–	3,377.0	–	1,108.4	26,979.3	13,567.2	14,658.2
27,554.3	482.3	–	3,895.2	–	2,745.8	29,185.9	9,458.0	9,226.2
0.0	0.0	–	–	–	–	0.0	4,993.5	1,228.0
110,083.6	994.3	0.0	14,166.2	1,543.8	6,062.4	120,725.6	136,172.5	134,031.8

Statement of all Legal Representatives

We confirm to the best of our knowledge that the consolidated 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 the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Mondsee, 24th February 2012

Andreas Weissenbacher
Chief Executive Officer, responsible for Operations, R&D, Purchasing, Human Resources, Marketing and IR & PR.

Gerhard Speigner
Chief Financial Officer, responsible for Finance & Controlling, Treasury, IT, Legal Affairs, Taxes and Risk Management.

Audit Certificate

(Independent auditor´s report)

Report on Consolidated Financial Statements

We audited the enclosed Consolidated Financial Statements of BWT Aktiengesellschaft, Mondsee, for the accounting year from January 1, 2011 to December 31, 2011. The Consolidated Financial Statements include the Consolidated Balance Sheet at December 31, 2011, the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the accounting year ending on December 31, 2011 as well as a summary of the accounting policy applied, and the Notes.

Responsibility of the statutory representatives for the Consolidated Financial Statements and Accounting

The statutory representatives of the Company are responsible for the preparation of Consolidated Financial Statements providing a true and fair view of the financial and asset position as well as the results of the Group in accordance with the International Financial Reporting Standards (IFRSs) which are applicable in the EU. The responsibility includes: establishing, implementation and maintenance of an internal control system, as far as it is significant for the preparation of consolidated financial statements and provision of a true and fair view of the financial and asset position as well as the results of the Group, so that the consolidated financial statements are free from material misrepresentations, be it because of intentional or non-intentional errors; the selection and application of appropriate accounting policy; preparation of estimates which seem appropriate in consideration of given general parameters.

Responsibility of the auditor of annual accounts and description of audit activities

Our responsibility consists in issuance of an opinion on the Consolidated Financial Statements on the basis of our audit. We have conducted the audit in compliance with the statutory regulations applicable in Austria and the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we observe the ethics of the profession, plan and conduct the audit in such a way as to form with reasonable assurance an opinion whether consolidated financial statements are free from material misrepresentations.

An audit includes the performance of auditing activities in order to obtain audit evidence with regard to the amounts and other information contained in consolidated financial statements. The choice of auditing activities is at obligatory discretion of the auditor, having regard to his assessment of the risk of occurrence of material misrepresentations, be it because of intentional or non-intentional errors. In the course of performance of the risk assessments the auditor takes into account the internal control system, as far as it is significant for the preparation of consolidated financial statements and the provision of a true and fair view of the financial and asset position as well as the results of the Group, in order to determine appropriate auditing activities taking into account the general parameters, but not to give an opinion on the efficiency of the internal control system of the Group. Furthermore, the audit includes the assessment of the appropriateness of the accounting policy applied and of the significant estimates prepared by the statutory representatives as well as an evaluation of the overall assertion of the consolidated financial statements.

In our judgment, we have obtained sufficient and appropriate audit evidence, so that our audit provides a sufficiently sound basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections.
In our assessment, on the basis of findings obtained during the audit, the Consolidated Financial Statements comply with the statutory regulations and provide a true and fair view of the financial and asset position of the Group as at December 31, 2011 as well as of the results and the cash flows of the Group for the accounting year from January 1, 2011 to December 31, 2011 in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

Report on the Consolidated Annual Report

Pursuant to the statutory regulations applicable in Austria, the inspection of the Management Report is to be carried out in order to determine whether it is in accord with the Consolidated Financial Statements and whether the other information in the Consolidated Annual Report does not suggest a misconception of the situation of the Group. The Audit Certificate also has to include a statement whether the Management Report is in accordance with the Consolidated Financial Statements and whether the statement pursuant to § 243a UGB (Austrian Commercial Code) is appropriate.

In our assessment, the Management Report is in accordance with the Consolidated Financial Statements. The statement pursuant to § 243a UGB (Austrian Commercial Code) is appropriate.

Linz, 24th February 2012

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner
Auditor

Mag. Johanna Hobelsberger-Gruber
Auditor

Supervisory Board Report

During financial year 2011, the Supervisory Board of BWT AG performed the duties required of it under the statutory provisions and the Articles of Association of the company. At the Annual General Meeting of BWT AG in May 2011, all the members of the Supervisory Board were reappointed. Dr. Helmut Schützeneder was newly elected to the Supervisory Board to replace the departing Mr. Klaus Reinhard Kastner. In a constitutive meeting held immediately after the Annual General Meeting, Dr. Leopold Bednar was re-elected Chairman of the Supervisory Board with Dr. Wolfgang Hochsteger as his deputy. The Supervisory Board did not appoint any committees except for the Audit Committee; all tasks are performed by the Supervisory Board as a whole.

During financial year 2011 the Supervisory Board held four ordinary meetings at which it informed itself of the strategy, business position and plans of BWT AG and the BWT Group and discussed and took decisions on items of business requiring approval. Ongoing communication between the Supervisory Board, the Management Board and the auditors was secured by two meetings of the Audit Committee (to which three of the five Supervisory Board members belong) as well as by the informal verbal and written exchange of information.

At the Audit Committee meeting of March 2011, the annual financial statements of BWT Aktiengesellschaft and the BWT Group for the 2010 financial year were analysed in detail in conjunction with the Management Board. The auditors also presented the results of their audit. It was subsequently recommended that the whole Supervisory Board approve the annual financial statements for 2010, which were presented to it. At its meeting in September 2011 the Audit Committee, together with the Management Board and the auditors, determined the priorities for the 2011 annual audit.

During the course of its four ordinary meetings held in 2011, in addition to the ongoing monitoring of business development and the most important business indicators within the Group, the Supervisory Board also looked at preparations for the Annual General Meeting and the extensive programme of investment at the Mondsee site. Other important projects during the financial year included the new marketing strategy aimed at strengthening the "BWT" brand and the disposal of the Zeta Group. Following re-election in May, the Rules of Procedure for the Supervisory Board and Management Board were also revised. The Supervisory Board paid special attention to the further development of the internal control system within the Group's financial accounting process and risk management. Risk reports will now be considered in meetings on a regular basis. Finally, in December 2011 the 2012 budget was discussed in detail and approved.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Linz, the auditors appointed on 25 May 2011 at the 21st Ordinary Annual General Meeting, audited the annual financial statements, including the management report of BWT Aktiengesellschaft as at 31 December 2011, as well as the consolidated financial statements, and issued the following opinion on the basis of that audit:

a) Individual financial statements: "Our audit did not give rise to any objections. In our assessment, on the basis of findings obtained during the audit, the annual financial statements comply with the statutory regulations and provide a true and fair picture of the financial and asset position of BWT Aktiengesellschaft as at 31 December 2011, as well of as the results of the company for the accounting year from 1 January to 31 December 2011, in accordance with the Austrian principles of adequate and orderly accounting."
"In our opinion, the financial report is congruent with the annual financial statements. The statements pursuant to § 243a UGB (Austrian Commercial Code) are appropriate."

b) Consolidated financial statements: "Our audit did not give rise to any objections. In our assessment, on the basis of findings obtained during the audit, the consolidated financial statements comply with the statutory regulations and provide a true and fair view of the financial and asset position of the Group as at 31 December 2011 as well as of the results and cash flows of the Group for the accounting year from 1 January 2011 to 31 December 2011 in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU."
"In our opinion, the Group's financial report is congruent with the annual consolidated financial statements. The statements pursuant to § 243a UGB (Austrian Commercial Code) are appropriate."

The Supervisory Board approves the annual financial statements of BWT Aktiengesellschaft, as well as the consolidated financial statements as at 31 December 2011, drawn up by the Management Board. The accounts are therefore adopted in accordance with § 96 section 4 Aktiengesetz (Stock Corporation Act). Moreover, the Supervisory Board supports the proposal of the Management Board regarding the utilisation of the annual result.

Vienna, 5 March 2012

Dr. Leopold BEDNAR
Chairman of the Supervisory Board

Financial definitions

Depreciation	Depreciation for fixed assets considered in the income statement (profit and loss account)
Book value per share	Equity per share
Call Option	Derivative financial instrument; an agreement that gives an investor the right (but not the obligation) to buy a stock, bond, commodity, or other instrument at a specified price within a specific time period
Capital Employed (CE)	Average used capital in the company defined by equity + net debt
Cash Management	Management of currencies/equivalent net assets of a company with the objective of an efficient use of these assets keeping the company solvent
Forward exchange transaction	Currency transaction, where the fulfillment takes place not immediately after transaction, but at a later time; for hedging changes in currency exchange rates
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EBIT- / EBITDA-margin	EBIT / EBITDA in relation to turnover
Equity ratio	Ratio of equity capital in relation to all assets (balance sheet total)
Equity return	Result after taxes in relation to average equity capital; indicates the equity yield rate
EPS	Earnings per Share; group results divided by the weighted number of shares minus own shares
Equity-method	Consolidation method in group accounting for interests between 20% and 50%
Gearing	Net debt in relation to equity capital inclusive minority interests; a measure for the amount of debt
Goodwill	Positive difference between the price and net assets of an acquired company
Hedging	Measures of financial risk management in order to limit or avoid negative market value changes in the interest, currency, market price or raw material prices
Capital costs	Price for the allocation of capital in a broader sense (see also WACC)
P/E – KGV	Kurs-Gewinn-Verhältnis = Price-earnings-ratio; measure for the valuation of a share on the equity market
Tax accruals/deferrals	Temporally deviating estimated values in commercial accounting and tax accounting of the subsidiaries and from consolidation procedures lead to tax assets or tax liabilities
Material ratio	Expenditure for material and supplies in percent of the output
Net debt	Balance from financial liabilities minus liquid assets; opposite: net cash
Personnel ratio	Personnel expenditure in percent of total sales
Put Option	Derivative financial instrument; an agreement that gives an investor the right (but not the obligation) to sell a stock, bond, commodity, or other instrument at a specified price within a specific time period
Risk management	Systematic approach in order to identify and to evaluate potential risks and select and implement measures for risk handling
ROCE	„Return on Capital Employed"; NOPAT in relation to the capital employed = net yield on the capital employed: EBIT - group taxes in relation to average capital employed
Treasury	Company function for securing the financing, the financial risk and cash management (see there) of the company
WACC	Weighted Average Cost of Capital; average capital costs, which the company has to pay for debt and equity capital on the financial markets
Interest rate swap	Agreement on the exchange of differing cash flows for a certain period; the cash flows are based on fixed and variable interest rates; for hedging changes of interest rates

Water technology definitions

Absorption	Uptake or dissolving of one substance in another. In the process, substances taken up penetrate into the sorbent.
Adsorption	Accretion of gases or dissolved substances on the surface of a solid substance. This enrichment takes place on the surface only, and is caused by van der Waals' forces. An example is the adsorption of pesticides from water on activated carbon.
Activated carbon	Collective term for a group of synthesized, porous carbons with a spongy structure. This highly porous pure carbon is characterized by a large specific surface area (up to 1100 m^2 per gram). Activated carbon adsorbs organic matters from water and air.
Disinfection	Disinfection means the gradation or inactivation of pathogenic microorganisms by chemical agents (disinfectants) or physical processes resulting in disinfection (heat [e.g. steam of 100°C, boiling water], ultraviolet radiation - UV disinfection, ionising radiation).
Softening	Hardness components (calcium ions) are exchanged for sodium ions with the aid of ion exchange resins which after depletion are regenerated back by sodium chloride solution. As the sodium salts formed in this way are easily water soluble, no limescale deposits develop in devices or pipes in the process of water heating. The new BWT Mg^{2+} technology replaces Sodium with Magnesium and improves the taste.
Desalination	Process leading to elimination of dissolved ionic compounds from water by ion exchange, reverse osmosis or electrodialysis.
Deacidification	Refers almost exclusively to the elimination of aggressive carbonic acid which is aggressive to materials and can dissolve metals (iron, lead, zinc, cadmium, copper) from water pipes.
Filtration	Mechanical separation process resulting in separation of a suspension in its components, solid and liquid. As filter material, porous materials e.g. silica sand, filter cloths etc. are used.
Flocculation	Synthetic formation of flocs. In the process, colloids and other particles suspended in water, as e.g. alumina or sludge particles are removed. These particles mostly carry an electric charge, thus they must be destabilized before their separation by adding a flocculating agent.
Hardness	The quantity of hardness components in water, i.e. the sum of carbonate and non-carbonate hardness. Hardness components are primarily the ions of the alkaline earth metal calcium, because they form hardly soluble deposits with carbonate and partly also with sulfations (the metals barium, strontium und radium which are also counted among the alkaline earth group occur in natural waters mostly in trace amounts only). In natural waters, carbonate hardness constitutes the main part of the total hardness. It is consistent with the proportion of alkaline earth ions which are present in water as hydrocarbonate and carbonate. The residual hardness components which are present e.g. as sulphates or chlorides are referred to as non-carbonate hardness.
Hard water	Hard water causes calcination of domestic appliances, increases the consumption of detergents, affects the taste and look of sensitive meals and drinks (e.g. tea). Hard water originates from regions in which sandstones and limestones predominate.
Lime and carbonic acid equilibrium	Calcite saturation; formerly: lime and carbonic acid equilibrium. The state of calcite or calcium carbonate saturation in water is achieved when in contact with calcite it tends neither to dissolve nor to precipitate calcium carbonate. If, due to carbonic acid excess, a water falls below its own pH-value of calcite saturation, it has a calcite dissolving effect; in contrast, if the pH-value is exceeded, it causes oversaturation (calcite precipitation). According to the provisions of the Drinking Water Directive, drinking water should not be calcite dissolving, otherwise calcareous materials (e.g. concrete) may be attacked, moreover, the formation of protective layer on metallic surfaces is inhibited. Hence, it is necessary to remove excessive carbonic acid from calcite-dissolving drinking water by deacidification.

Bacterial count	Colony count; expression for the number of visible and countable germinal colonies which have grown from a liquid or solid substance containing bacteria after incubation by mixing with a first liquefied, and then re-solidified medium.
Corrosion	Chemical reactions which develop when metalic materials come into contact with water are called corrosion. The most noted form of corrosion is the formation of rust on iron and metal. For instance, a corrosion form of copper is known by the name of verdigris.
Legionella	Legionellas are rod-shaped bacteria. Apart from legionella pneumophila, the most important species from epidemiological perspective, there are more than 30 further species of which at least 17 are "human pathogenic".
Membranes	Natural or synthesized flat formations which are able to separate fluid phases or even two volumes of a phase with different composition from each other, and their ability consists in enabling mass transfer between them. Depending on the dividing line, a distinction is made between microfiltration, ultrafiltration, nanofiltration and reverse osmosis.
Microfiltration	Membrane separation process (pore size 0.05 to 1.0 µm; usually 0.2 µm) with low pressure (0.5 to 1.5 bar). Both particles and bacteria can be retained.
Nanofiltration	Is a special membrane separation process which retains particles from the size of ca. 1 nanometre (1 nm).
Oxidation	In the process of chemical oxidation, the element or compound oxidised releases electrons and changes into a higher valence stage. Generally speaking, oxidation means the uptake of oxygen. Typical oxidation reactions in water treatment technology are iron and manganese removal, wastewater from chemical and electroplating industries, but also the reduction of organic ingredients.
Ozone	Oxygen molecule formed by three oxygen atoms. It is the strongest oxidising agent used in water treatment which is durable for a short time only.
pH-value	Measured value for the hydrogen ion concentration contained in aqueous solutions, thus the measure for the acid, neutral or basic reaction of a solution. The pH-value ranges from 0 to 14. Acids have a pH-value below 7, and bases above 7. Water in its original form has a pH-value of 7 (neutral). According to the Drinking Water Directive, drinking water must not show a pH-value below 6.5, and not above 9.5 .
Process water	Water for the operation or maintenance of an industrial process; the water can come into direct contact with other substances and partly dissolve them or take up undissolved. The requirements on the quality of process water depend on the particular process.
Ultrapure water	Deionised water manufactured from demineralised water by means of additional treatment steps with special mixed-bed ion exchangers, activated carbon adsorbers and microfilters . This water contains only residual contents of dissolved salts and organic compounds in the range of several nanograms .
Pure water	Purified water manufactured by means of ion exchangers, reverse osmosis systems or distillation which still shows a certain residual salt content (e.g. 1 µS/cm or more).
Drinking water	Water which is suitable for human consumption/use and complies with the Drinking Water Directive is referred to as drinking water. The drinking water requirements are defined in EU Guidelines and in the Drinking Water Directive of August 21, 2001.
Ultrafiltration	Membrane separation process (pore size ca. 0.005 to 0.05 µm) under pressure (2 to 10 bar). Particles from submicron range (bacteria, viruses, giardias, cryptosporidia) through to macromolecules can be retained .
Reverse osmosis	Membrane separation process; salt concentrate (brine) forming on the water side of pipes is discharged as wastewater. Water which flowed through the membrane (permeate) is low in salt. The retention rate for dissolved salts amounts 95 to 99%.
UV irradiation	Ultraviolet (UV) radiation is a short-wave, energy-rich, electromagnetic radiation unvisible for the human eye which is used for disinfection in drinking water treatment.

BWT Group Locations

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Financial Calendar 2012:

2011 Annual results	26.03.2012
Annual General Meeting (Vienna)	24.05.2012
Ex-dividend date	29.05.2012
Dividend payment date	03.06.2012
Quarterly Report I/2012	11.05.2012
Quarterly Report II/2012	10.08.2012
Quarterly Report III/2012	09.11.2012

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