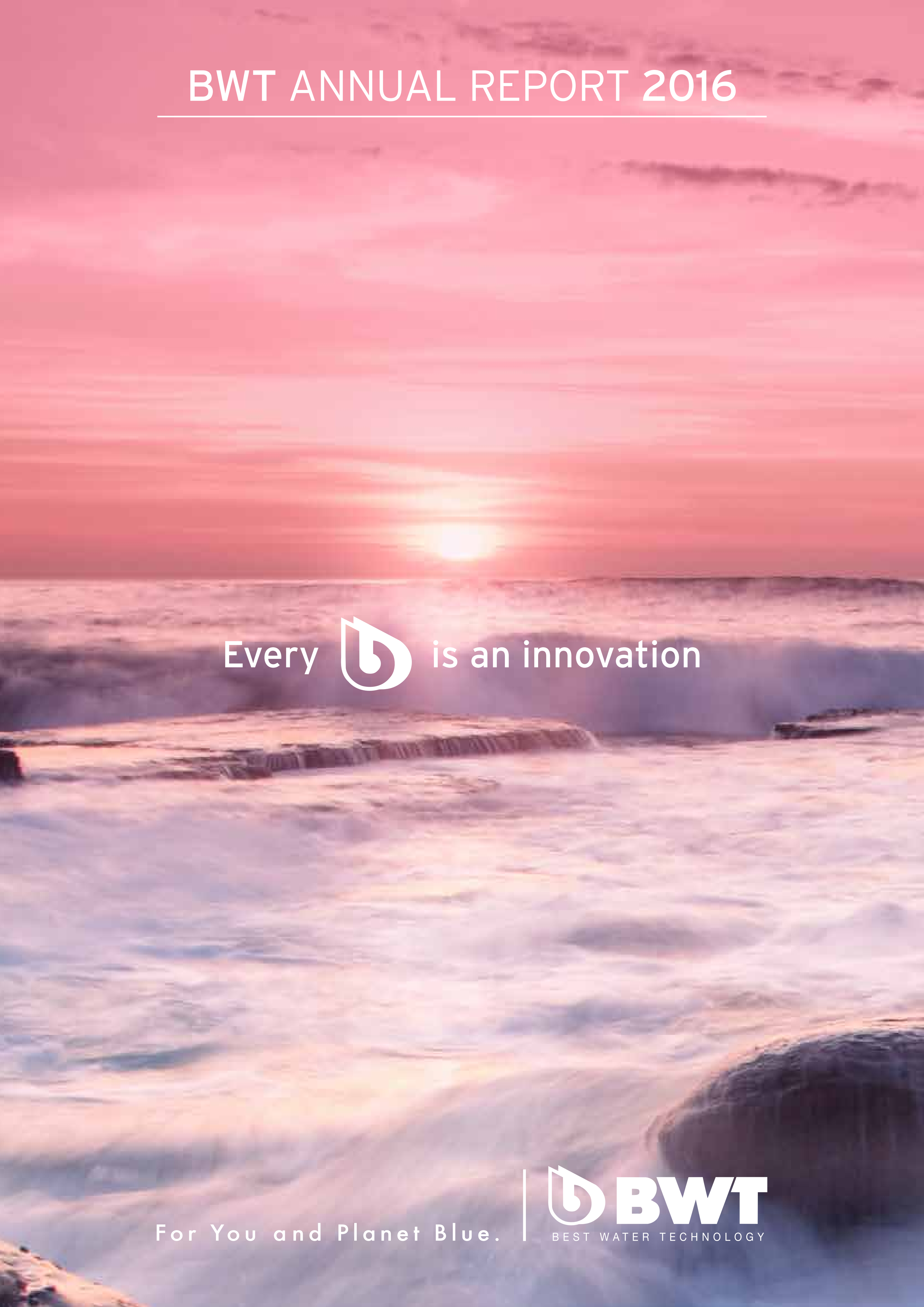
BWT ANNUAL REPORT 2016



Every is an innovation

For You and Planet Blue.

BWT
BEST WATER TECHNOLOGY

Water is the principle of all things; all things come from water and to water all things return.

Thales von Milet

Some of the greatest innovations on our planet, such as rain, have their origins in nature. Water means life and is a fascinating element because every drop creates new life and helps it flourish. Products and solutions for water treatment are playing an increasingly important role in view of the challenges brought about by rising global population levels, global climate change and growing demands in terms of safety, health and hygiene.

BWT uses nature – with its wealth of innovations and ideas – as its guide and has devoted itself to the vision of using what are often technologically unique innovations and expertise to make our planet's water better, purer and cleaner. The company's 3,300 employees have immense passion and an unquenching enthusiasm for innovation, which they devote to creating environmentally friendly, safe and hygienic water treatment solutions for private households, industry, businesses, hotels and the public sector. This enables BWT to develop state-of-the-art treatment systems for drinking water, pharmaceutical and process water, heating water, boiler, cooling and air-conditioning water, and swimming pool water. A key aspect of this development involves reducing the products' consumption of operating resources and energy to minimise CO_2 emissions.

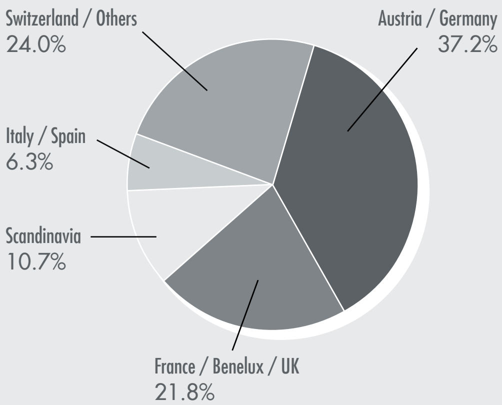
BWT
BEST WATER TECHNOLOGY | For You and Planet Blue.

Overview		IFRS	IFRS	IFRS
		2016	2015	2014
Consolidated group sales	million €	610.4	535.3	505.3
EBITDA	million €	39.0	49.0	45.7
EBIT	million €	17.4	19.3	25.8
Earnings before taxes	million €	18.9	16.6	19.1
Consolidated net earnings	million €	9.4	8.9	10.5
Cash flow from operating activities	million €	40.8	45.9	39.5
Number of shares as of 31/12 (excl. own shares)	million	16.8	16.8	16.8
Earnings per share	€	0.65	0.63	0.61
Dividends and bonus per share	€	0.20*	0.20	0.28
Payments on purchases of property, plant and equipment	million €	24.9	14.4	25.4
Equity	million €	194.4	183.3	170.9
Employees as of 31/12	persons	3,326	3,276	2,587

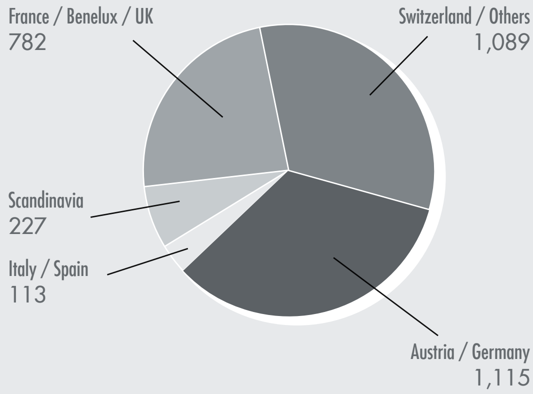
*) Proposal to the AGM

Summary of balance sheet	2016		2015	
ASSETS	million €	%	million €	%
Non-current assets	188.7	39.8%	182.2	40.2%
Current assets	285.9	60.2%	271.2	59.8%
TOTAL ASSETS	474.6	100.0%	453.4	100.0%
EQUITY AND LIABILITIES				
Equity	194.4	41.0%	183.3	40.4%
Non-current liabilities	125.4	26.4%	131.3	29.0%
Current liabilities	154.8	32.6%	138.8	30.6%
BALANCE SHEET TOTAL	474.6	100.0%	453.4	100.0%

Sales 2016 by business segment (in %)



Employees by business segment as of 31/12/2016

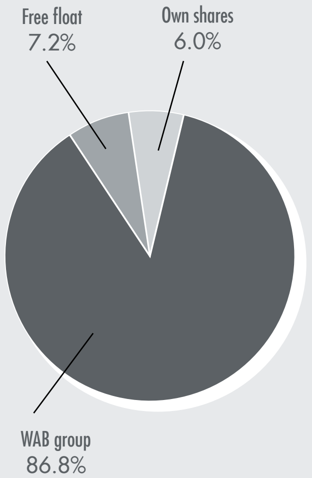


IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
2013	2012	2011	2010	2009	2008	2007	2006
507.7	502.3	478.9	460.7	400.7	410.2	397.5	362.0
41.0	40.8	39.1	47.2	45.7	40.2	45.3	40.9
23.1	22.2	21.7	31.5	26.8	29.2	36.3	32.6
18.1	20.7	19.9	31.2	30.3	27.0	35.3	31.8
10.8	14.4	13.8	22.8	23.1	20.6	26.3	22.2
31.5	30.1	26.4	34.3	49.7	28.1	22.5	26.9
16.8	16.8	16.8	17.2	17.4	17.5	17.8	17.8
0.64	0.87	0.80	1.32	1.32	1.16	1.48	1.24
0.28	0.28	0.28	0.40	0.40	0.38	0.38	0.35
34.7	36.3	21.6	14.9	9.7	16.6	13.9	10.2
172.6	168.4	162.6	163.9	152.8	138.2	129.6	109.2
2,643	2,726	2,689	2,820	2,701	2,389	2,354	2,202

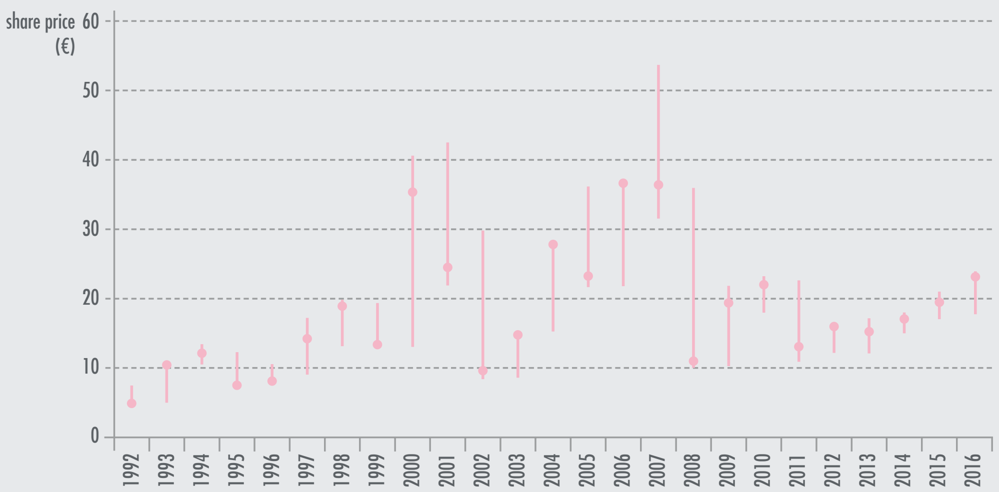
Aktienkurs		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
High	€	23.40	21.00	18.00	17.17	16.03	22.62	23.22	21.84	35.94	53.69	36.63
Low	€	17.90	17.04	15.00	12.10	12.17	10.90	17.97	10.26	10.00	31.54	21.78
Closing price	€	23.00	19.50	17.06	15.25	16.00	13.06	22.00	19.39	11.00	36.40	36.50
Earnings per share	€	0.65	0.63	0.61	0.64	0.87	0.80	1.32	1.32	1.16	1.48	1.24
P/E (closing price)	€	35.4	31.0	28.0	16.2	18.4	16.3	16.7	14.7	9.5	24.6	29.4
Market cap in million	€	410	348	304	272	285	233	392	346	196	649	651

IPO price 1992: € 7.45

Shareholder structure



Share price chart 1992–2016



Source: Vienna Stock Exchange

Foreword by the Chairman of the Executive Board

Dear business associates, shareholders and friends of BWT,

2016 was marked by an acceleration of growth in our market penetration and exceptionally close collaboration with our partners and customers who place their trust in us when it comes to supplying them with the best drinking water. The BWT drinking water professional concept is a real asset in this respect. We achieved consolidated revenues in excess of € 600 million for the first time, acquired new customers and thereby continued to gain growth momentum. After all, our range of products and innovations that are unrivalled in the water technology industry, our expansion into new major markets like Russia with BWT BARRIER and our solid statement of financial position would all be worthless without the trust and partnership of our more than 3,300 employees, thousands of drinking water professionals and millions of customers that have now joined our BWT – For You and Planet Blue mission. I would like to thank all of you most sincerely for your trust and dedication.

By contrast, the economic conditions in 2016 did little to boost business. In our European core markets in particular, we were faced with a merely tentative economic recovery. Growth in the euro zone averaged 1.7%, and in many markets it was even less. Negative interest rates and considerable bond purchases made by the ECB in the region of €80 billion a month have so far been unable to resolve the debt crisis and have simply bought us some time. An economic downturn in China also triggered uncertainty right at the start of 2016, and the historic Brexit vote in the middle of the year was testament to the political divisions that exist within Europe. Despite these difficult conditions, the BWT Group achieved a growth rate of over 14% to generate revenues of € 610.4 million. The most pleasing aspect is that this growth was generated in a large number of major markets and organic growth averaged 8%.

We started our Point of Use (PoU) strategy some ten years ago now back in 2006, and in 2016 for the first time we generated revenues of over € 100 million in this new segment thanks to the acquisition of the BWT BARRIER Group. This segment, which supplies highly innovative, compact water technology for perfect water quality directly at the tapping point to customers in the hospitality, food services and catering industries – making the best coffee – right through to private consumers, now accounts for more than 17% of our consolidated revenues. The double-digit revenue growth of over 10% in the Point of Entry (PoE) segment across almost all product groups underlines that we are doing much more than just developing a new business segment here; we are witnessing the evolution of the entire BWT Group, an evolution that is being reported by all business and product segments and that will benefit the Group as a whole and all its customers. We are completely redefining how we as a company develop our markets and how we approach our customers.

Based on the product and innovation prowess the company has accumulated since it was established in 1990, the BWT Group of today is barely comparable with the company as it was ten years ago. Partners and customers are benefiting not only from an unrivalled product range in a number of segments, but also from state-of-the-art quality and environmental standards in production, digitalised business processes and – above all – dedicated employees who supply our expertise and represent our brand to the customer.

A whole string of new products and processes once again demonstrated BWT's capacity for innovation in 2016 and garnered a lot of attention at international trade fairs. Our new environmentally friendly and highly effective Bewades DCL UV systems, for example, are setting new quality and hygiene standards – particularly for customers in the pharma and biotech industry. These systems remove chlorine content from water without using activated carbon filters while also disinfecting the water. The AQA perla system range, which has had a lot of success on the market, was also expanded with the new AQA smart Plus. The PoU Professional segment unveiled a world first in the form of the new Bestcoffee cartridge, which uses an innovative membrane filtration process with added mineralisation to provide customers in the catering industry with the best coffee taste. In the Consumer segment, BWT presented the BWT Magnesium Mineraliser – the first under-the-sink water filter for domestic use to contain the unique Mg2+ technology. We are fully aware of our responsibility and help to ensure growth, hygiene and quality of life, without using up an ever-greater number of resources in the process. In 2016, a total of € 13.3 million (2015: € 10.6 million) was spent on research and development.

Despite a continuation of the considerable increases in brand development expenditure in 2016 and expansion of the Group, the net result was increased slightly at its low level. Although the operating result (EBIT) decreased by 10% to € 17.4 million – due, among other things, to the new activities in Russia with the BWT BARRIER Group and marketing expenditure, which was recognised directly in profit or loss – the significantly improved financial result meant that earnings before taxes were increased by almost 14% to € 18.9 million and the net result before non-controlling interests was improved by 6% to € 9.4 million. This resulted in earnings per share of € 0.65 compared with € 0.63 last year. The dividend is expected to remain unchanged at € 0.20 per share.

The solid statement of financial position as the basis for growth realised under the company's own steam coupled with a series of strategic investments is highly significant against the background of the persistently fragile state of international financial systems. With net cash of around € 9.0 million, the BWT Group is in fact debt-free. Key investment projects mainly included the strengthening of our subsidiaries in Germany, Denmark, Russia and Spain. At € –23.2 million, cash flow from investing activities was impacted predominantly by property acquisitions, but also by innovations in production systems technology and temporarily suffered an even more dramatic decline than operating cash flow, which stood at € 40.8 million. This saw the equity ratio improve slightly to 41.0%, although total assets increased again to € 474.6 million. The company's clear ownership structure with around 87% of the share capital held by long-standing core shareholders also conveys stability in an ever more globalised market. The number of treasury shares remains unchanged at roughly 6% of issued shares.

The BWT Group is now the water technology market leader in Europe. By focusing our attentions on the element of water, we now possess technological expertise that is unmatched by any other company worldwide ranging from water for the pharma and biotech industry, businesses and the hospitality sector right through to domestic water treatment. This positioning and our extensive technology portfolio are bringing about once-in-a-lifetime opportunities for us, and we intend to take advantage of them. The extent of our company's potential can be measured not only by the growing demand for drinking water from a current figure of 7.5 billion people on Earth, which is being exacerbated by population growth, water pollution and climate change, but also by the rising hygiene and quality standards of a middle class comprising around 4 billion people, which is growing at a dynamic rate. As a high-growth company, we want to continue our rate of growth in 2017. Asia, which currently accounts for around just 6% of the Group's revenues, will be a priority for the company. The costs and capital expenditure associated with this will also remain at a high level over the next few years.

I would like to thank our Supervisory Board for its constructive and positive cooperation over the past year. I would also like to express my sincere thanks to all our highly motivated and dedicated BWT employees for their hard work. And I would like to thank you, dear business associates, shareholders and friends of BWT, for your fair and trusting partnership so far. BWT – For You and Planet Blue is on the way to becoming an internationally visible and renowned brand for premium water. I would greatly appreciate your support as we continue our journey.

Yours


Every
is beautiful

All beauty originates from nature – it is the creator of breathtaking wonder and has an undeniable eye for aesthetics.

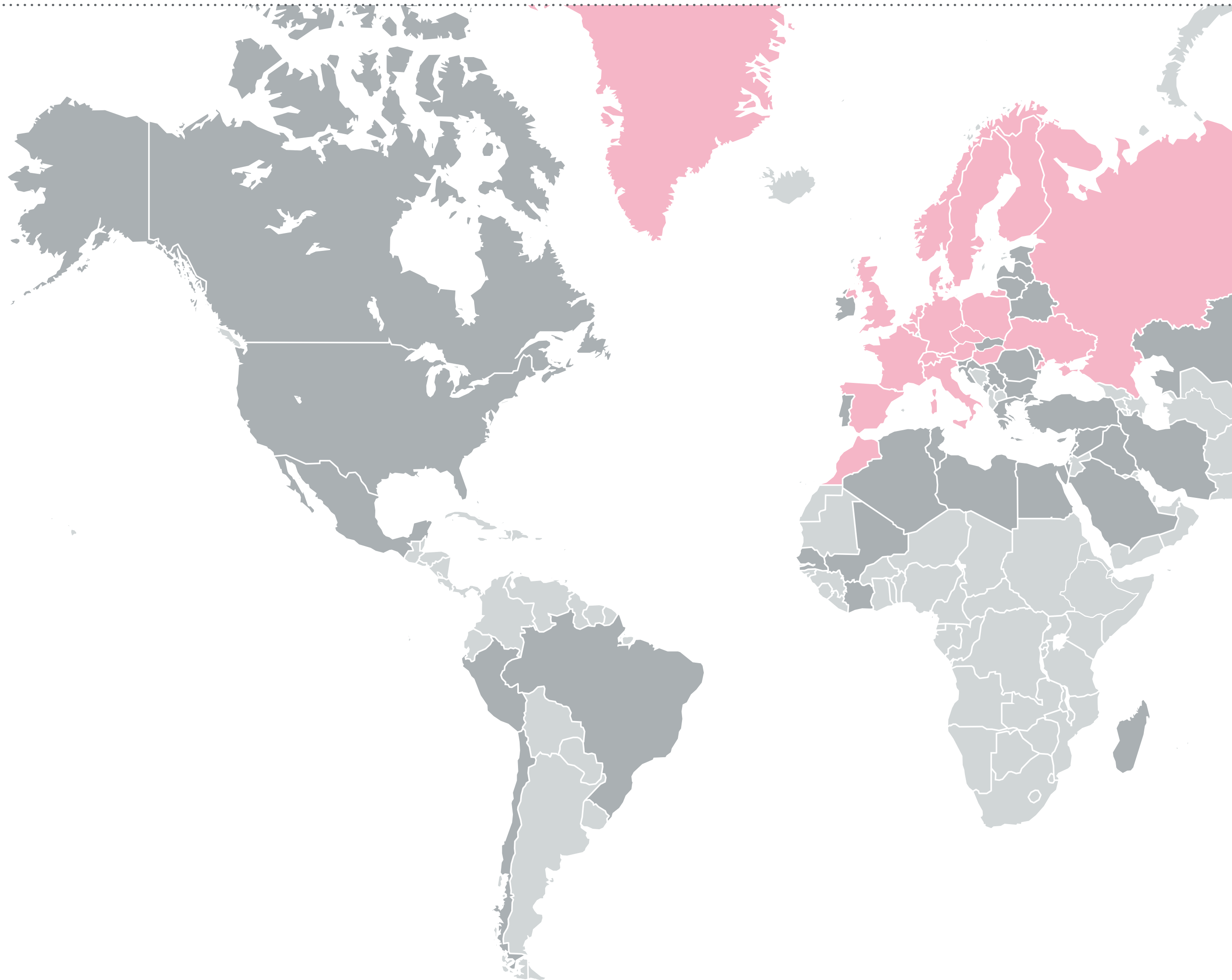
When the sun slowly disappears beneath the horizon after a hot day and a gentle summer rain shower bathes the environment in fresh water, it is nature showing off her innate talent for creating beautiful moments. Just like the pleasant touch of gentle summer rain, silky-soft BWT pearl water offers real benefits for our bodies and minds and is the true beauty secret for noticeably soft, velvety skin and silky, shiny hair – beauty starts here.

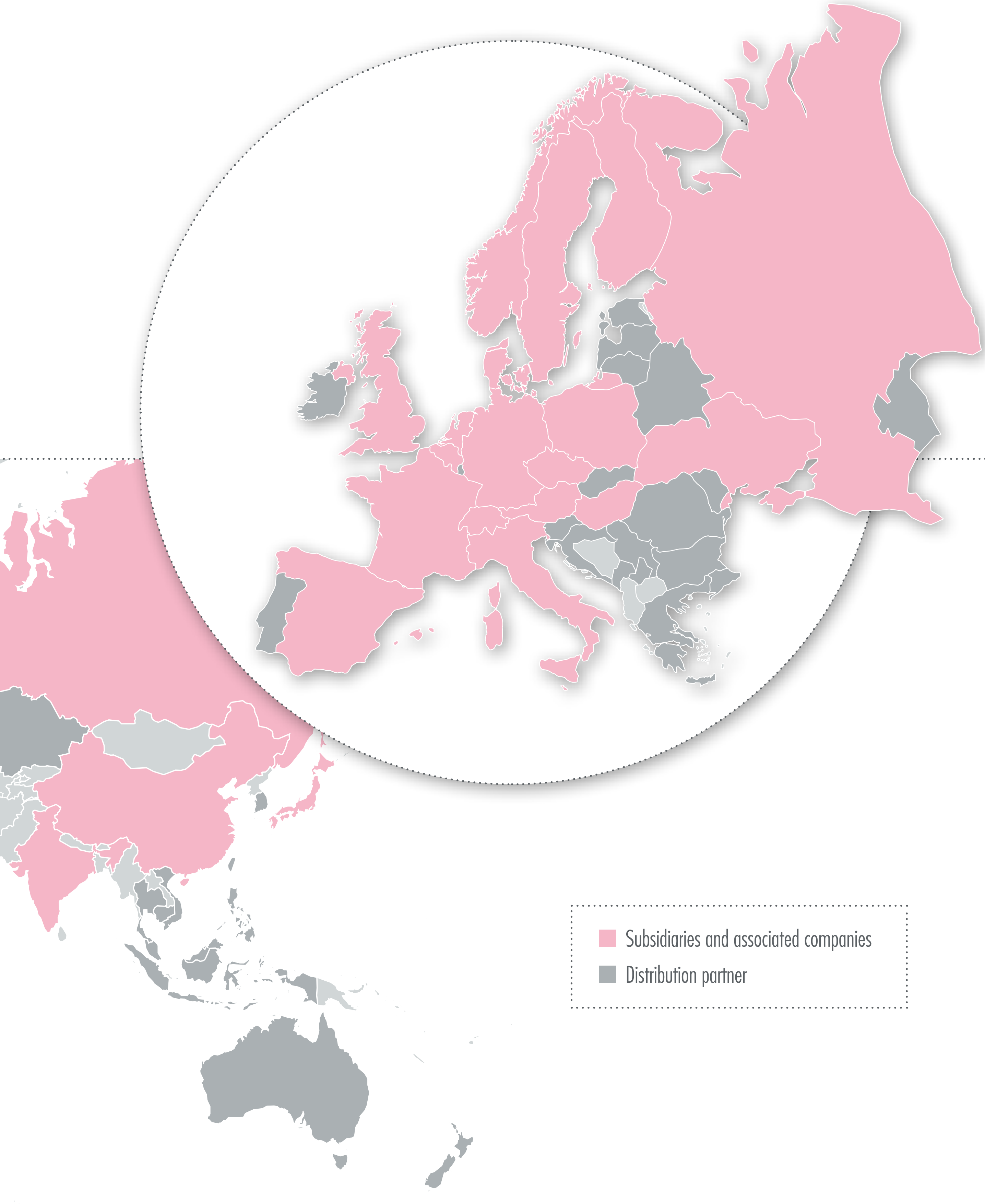
BWT

BEST WATER TECHNOLOGY

BWT – Europe's leading water technology group

- **82 subsidiaries and associated companies**
- **5 main production locations**
- **3,326 employees**
- **€ 610.4 million sales**
- **Research and development departments in France, Germany, Switzerland, Austria and Russia**
- **World leading know-how in all areas of water treatment**




Subsidiaries and associated companies
Distribution partner

Supervisory Board

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

DIPL.-VW. EKKEHARD REICHER

Consultant;
member of the Supervisory Board of BWT AG since 1996.

DR. WOLFGANG HOCHSTEGER, DEPUTY CHAIRMAN

Lawyer and partner of law firm Hochsteger Perz Wallner Warga;
Deputy Chairman of the Supervisory Board of BWT AG since 1991.

GERDA EGGER

Management Board of the WAB trust;
member of the Supervisory Board of BWT AG since 1996.

MAG. DR. LEOPOLD BEDNAR, CHAIRMAN

Consultant;
Chairman of the Supervisory Board of BWT AG since 1991.

DR. HELMUT SCHÜTZENEDER

Consultant;
member of the Supervisory Board of BWT AG since 2011.

Management Board

GERHARD SPEIGNER

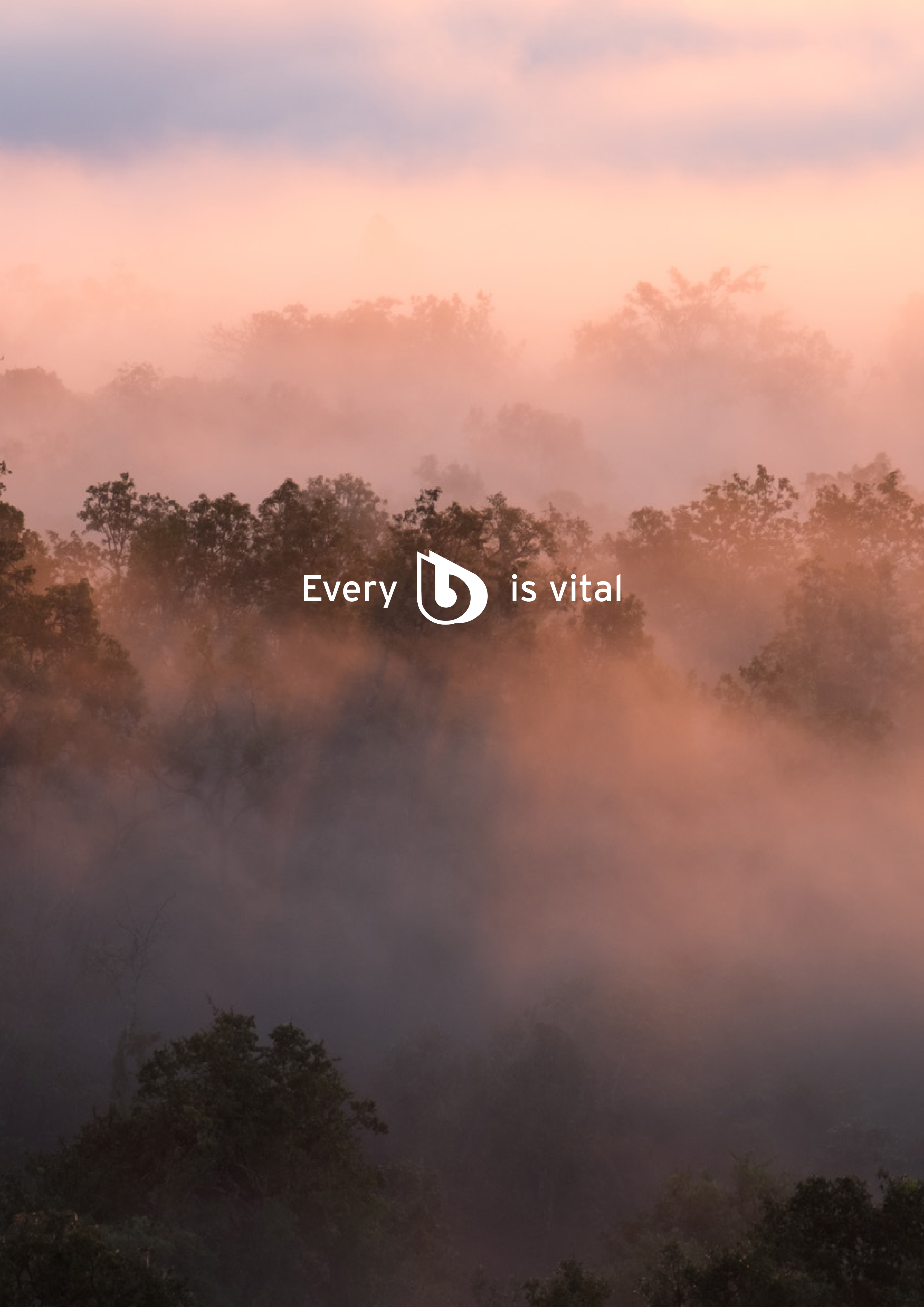
Chief Financial Officer (CFO)
since 1996

Responsible for Finance, Controlling, Treasury, Business Analysis, Information Technology, Law, Taxes and Risk Management.

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.


Every is vital

Vitality and health have close connections with nature. Retreating into a green space after a stressful day allows us to restore our reserves of strength and energy.

When the morning dew spreads across a still sleeping landscape, the pure vitality that nature can bring is evident in all its glory. The tiny, refreshing droplets of water wake everything to life, injecting it with energy and a zest for life. Magnesium mineralised water from BWT gives us similar energy and vitality for the day ahead by providing us with a smart boost to our daily magnesium intake. Magnesium mineralised water at home and magnesium mineralised water at work provide optimum sustenance for an active and balanced lifestyle!

Water – source of life

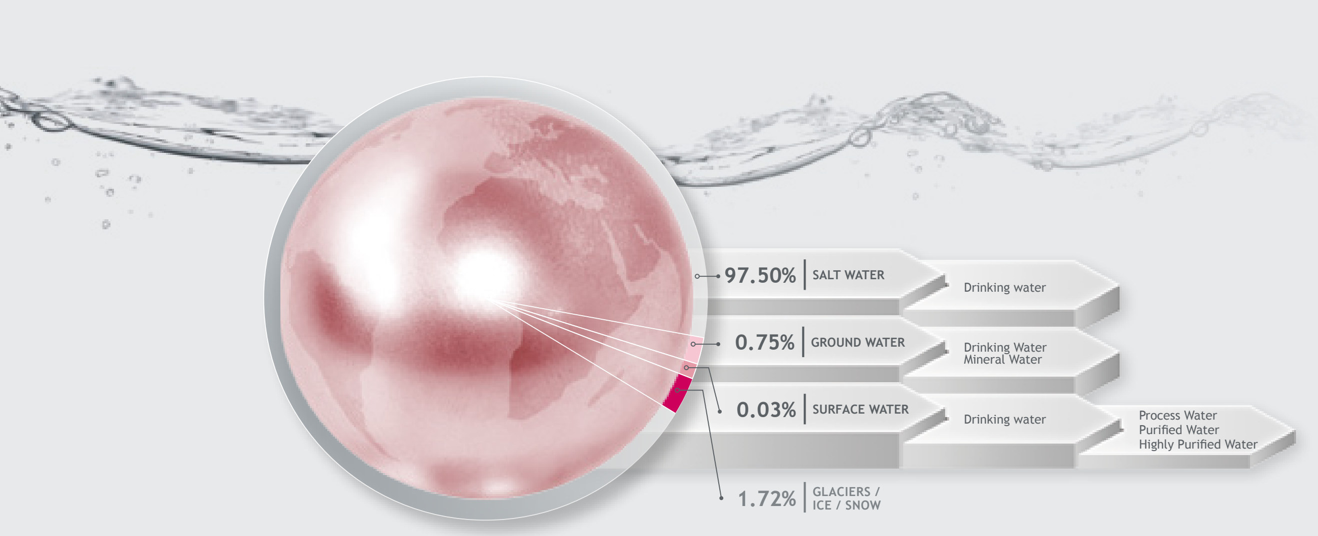
Water is our elixir of life – and one of the major challenges of the 21st century. The main reasons for this are a growing world population, changing consumption patterns with rising water consumption, increasing water pollution and rapidly expanding urbanisation.

There are alternative sources of energy, but there is no alternative to water.

Water covers over 70% of the Earth's surface. Humans themselves are made up of approximately 75% water when they are first born and the water content of an adult human body is still over 50%. As a result, humans can only survive for a few days without fluid intake, while nature and its prosperity are also dependent on a plentiful and regular water supply.

Global water resources are limited, equalling some 1.38 billion cubic kilometres. This seemingly almost inexhaustible supply of water is put into stark perspective by the fact that around 97.5% is salt water. Another 1.7% of global water resources are retained in glaciers, ice and snow. This ultimately leaves just under 1% of the original quantity that is available to people as life-sustaining freshwater.

Estimated earth's water reserves of 1.38 billion km^3



Source: Goldman Sachs 2013

From a global perspective, water resources are unevenly distributed. Although Europe has relatively few raw materials, it is rich in water. In Africa, the overall situation is completely the opposite. The average European requires between 150 and 400 litres per day for own consumption. A US citizen uses around twice as much of the precious liquid, namely 560 litres per day. In China, by comparison, this figure is just 130 litres and in many developing countries individual demand is less than 50 litres/day. Average per-capita consumption in Austria is approximately 135 litres/day. Overall, annual demand for water in Austria is approximately 2.5 km^3 (2.5 billion cubic metres). Approximately two-thirds of this goes to business and industry, just under a third to households and just under 7% to agriculture. With an annual water supply of around 77 km^3, use in Austria is therefore only around 3% of the amount available per year.

However, the value that can be read off the water meter in your home is merely a fraction of the water quantities actually consumed by society. We live today in the belief that a person in Austria only consumes an average of 135 litres of water per day, but the actual figure is estimated to be thirty times this amount. These calculations are the work of British professor John Anthony Allan, who coined the term "virtual water" back in the 1990s. In these calculations, water consumption at the location of consumption is combined with water consumption at the production location in a model. The biggest user of water in global terms is agriculture, with around 70% of total abstraction. Water demand for animal and plant products is correspondingly high. In total, one kilogramme of beef and a litre of milk are estimated to require 15,500 litres and around 1,000 litres of water respectively. Industrial products such as cars (400,000 litres of water) and PCs (20,000 litres of water) also involve immense masses of "hidden water". The same applies to a pair of jeans (11,000 litres of water).

Key industries and energy and electricity producers are particularly dependent on water – around 90% of electricity generation worldwide is water-intensive.

Water – a resource and human right worth protecting

Nowadays water is also referred to as the "blue gold" or the "oil of the 21st century", illustrating that our source of life is progressively becoming a lucrative commodity that is worth protecting.

The "right to access clean water" was acknowledged as a human right on 28 July 2010 by the United Nations (UN) General Assembly. The resolution is not legally binding for the 192 states of the United Nations, but has a high political profile.

The quality of drinking water is essentially defined by standards set by the World Health Organisation (WHO, Guidelines for Drinking Water Quality), on which the EU's Drinking Water Directive (EC Directive 83/98) and national regulations on drinking water are based. As part of these standards, the WHO has defined recommendations and testing parameters for water quality for 200 substances.

At European level, EU regulations on drinking water have been in place since 1975. The European Water Framework Directive entered into force in 2000. It states that water is not a mere trade commodity but an inherited resource that must be conserved, protected and suitably treated. The European Water Directive sets environmental targets for all surface water and groundwater sources in Europe. The directive aims to protect these water sources, prevent their degradation, and protect and improve the condition of terrestrial ecosystems and wetlands that depend directly on the water balance of these sources.

In 2012, a blueprint for protecting European water resources was enacted by the European Commission. The paper is based on the current level of implementation and success of the European Water Framework Directive. In light of the fact that about 50% of all water sources reached the status required by 2015, there is an urgent need for action. Through this paper, the EU Commission is seeking to significantly increase the obligations of the Member States and to advance the implementation of the Water Framework Directive. First and foremost, this is to be accomplished by promoting the implementation measures, through cross-area political collaboration (such as the agricultural, fishing and energy sectors) and by adapting and developing legal requirements.

The approach to water is also regulated by national law, for example in Germany through the German Drinking Water Ordinance or in Austria through the Austrian Water Act.

Water – the global challenge of the 21st century

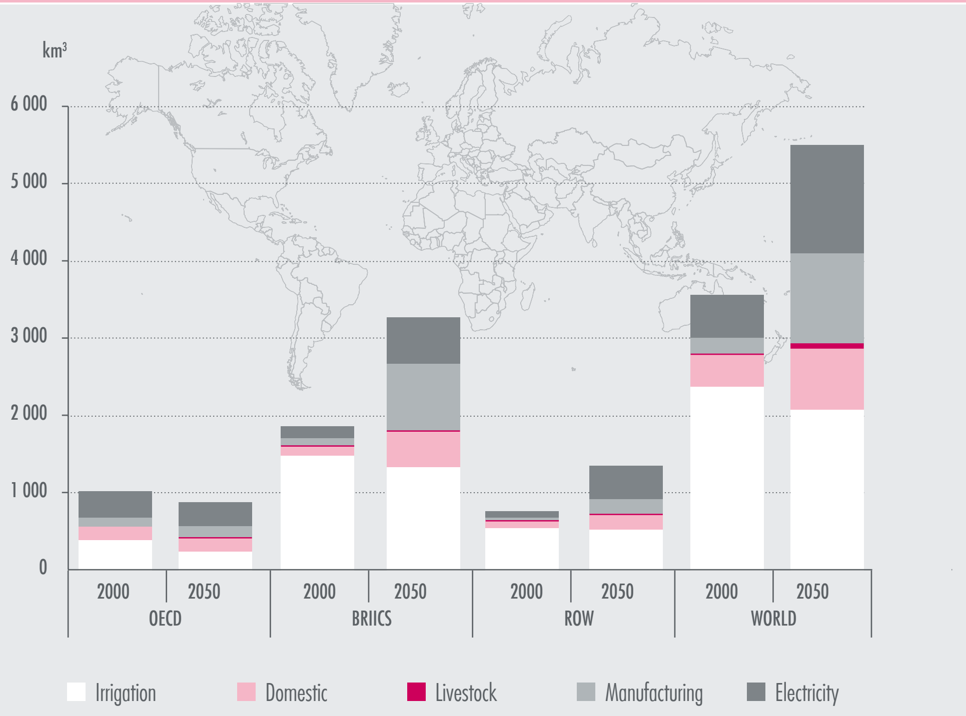
According to estimates by the WHO and UNICEF, there are currently still 663 million people worldwide without access to a decent water supply, and at least 1.8 billion people suffering from inadequate sanitation. Contaminated drinking water is the main cause of cholera and diarrhoeal diseases worldwide, and in developing and emerging countries these diseases are often fatal. UNICEF estimates that 1,000 children under the age of five die every day as a result of contaminated drinking water.

The thirsty planet

By 2050, global demand for water is expected to rise by 55%. This is due to the increasing needs of a growing population with changed lifestyles and patterns of consumption. In percentage terms, the biggest increases are attributable to industry (+400%), electricity production (+140%) and households (+130%). By contrast, the forecasts suggest that consumption in agriculture, currently the sector with the highest demand at 70%, will fall slightly. This additional demand for water is increasing the existing pressure on limited natural resources and ecosystems considerably. Groundwater supplies are set to decrease. As a result, more than 40% of the world's population will likely be living in areas with considerable water stress in 2050.

It can therefore be assumed that the situation regarding water will intensify dramatically in the coming years and decades. Water is the global ecological, social, political and economic challenge of the 21st century.

Global water demand (freshwater withdrawals): Baseline Scenario, 2000 and 2050



Source: UN World Water Development Report, 2014

Environmental challenges

Water stress and water shortage

Around a quarter of global water demand is already covered by groundwater. In industrialised nations, use of groundwater reserves is often very low, while in developing nations it is very high. Groundwater abstraction is often so high here that nature cannot make up for it with its own groundwater reserves. This results in a decrease in groundwater levels, which has already taken on dramatic proportions in many regions.

Water pollution

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 sources. 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 caused by the increasing number of new substances and compounds (e.g. nanoparticles) and endocrine substances, such as the toxic group of chemicals known as nonylphenol ethoxylates (NPEs). These substances are finding their way into the oceans as a result of textile production in low-wage countries, and are damaging aquatic organisms – even in low concentrations. Hormonally active NPEs are also entering the water cycle via leftover residues on textiles.

Climate change and natural disasters

Over the next few decades, the global water balance will change noticeably in a great many regions. According to the Intergovernmental Panel on Climate Change, drought areas will continue to spread, heavy precipitation events will increase, and glacier and snow areas will diminish. Climate change will see mountains lose their storage function to a large extent. The global decline of forest areas represents another threat to freshwater resources. Forests play an instrumental role in regulating freshwater flows and maintaining the water quality.

Water-related natural disasters are arguably the most economically and socially dangerous threats, and they may become more frequent as the climate changes. A sophisticated floodwater management policy, early warning systems and campaigns to raise the awareness of the population are all extremely cost-intensive.

Degraded soils

Every year, around 6 million hectares of usable agricultural land is lost. The main reasons for this are settlement and the erosion of fertile soils. Much of the land has since become irrevocably damaged and barren, robbing the surrounding populations of their livelihood. Besides the loss of soil as a nutrient base, soil degradation is also disturbing biogeochemical material cycles, such as the water cycle. Soil loss also impairs the soil's capacity to store greenhouse gases, thereby intensifying climate change. Roughly 1.5 billion people are affected by the problem of unfertile soils. Approximately half of these people live in the poorest regions of the world, primarily in the South Sahara and in India.

Social challenges

Population growth

UN forecasts indicate that the world population will grow from its current figure of around 7.5 billion people to 8.5 billion by 2030 and 9.6 billion people by 2050. Half of this population growth is expected to occur between 2015 and 2050 in nine countries including India, Nigeria, Pakistan, the Democratic Republic of the Congo, Ethiopia, Tanzania, the USA, Indonesia and Uganda – all regions in which water supplies are already scarce.

Urbanisation

The development of cities with a population of over a million continues unabated. According to the UN, in 1950 there were just 77 of these cities worldwide with over 1 million inhabitants. In 2000, the figure was 361 and in 2015 these megacities had risen to a whopping 501 – and this number is growing. Nowadays more than 50% live in cities, 30% of them in slums. By 2050, approximately 2/3 of the world's population will live in cities and both the largest and fastest development of these cities will occur in developing countries, in particular Africa and Asia. Water supply and disposal problems are thus inevitable. 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. Around 90% of urban wastewater in developing countries is released untreated into the surrounding rivers, lakes or the ocean, causing environmental and health risks.

Food security

Around the globe, the largest quantities of water are required for agriculture. This sector accounts for around 70% of global demand for water, while industry consumes 18% and households 12%. So far, only around a fifth of all agricultural land is irrigated. However, irrigation generates crop yields that are considerably higher, 2.7 times higher on average than when rainwater is used. In correlation with population growth (around 60% more food will be needed worldwide by 2050) and the simultaneous reduction in usable agricultural land, it is likely that the available land surfaces will be used more intensively and therefore irrigated.

Energy supply
Not only will the demand for food rise, but energy demand will rise, too, in line with the growing population and growing affluence. By 2035, global energy demand is expected to rise by over a third, with China, India and the Middle East accounting for around 60% of this increase. The International Energy Agency estimates global water abstraction for energy production at 583 billion cubic metres for 2010 (around 15% of total water abstraction worldwide). An estimated 66 billion cubic metres of water were used for this purpose and were therefore not returned to the water cycle. Estimates suggest that water abstraction could rise by 20% and water consumption by 85% by 2035. This is due to a conversion to more water-intensive forms of energy production and the expansion of biofuel production. At its core, the Paris climate agreement – which came into force in November 2016 – is an energy agreement. A transformation of the energy sector, which is the source of at least two thirds of greenhouse gas emissions, is a key requirement for meeting the targets of the agreement and thereby limiting global warming to less than 2°C.

Political and economic challenges

Stricter limits on water contaminants
Improving and increasing safety standards for water and water installations goes hand in hand with dynamic development of legislation. This is mainly reflected in the reduction of limits and the introduction of new limits for contaminants in water. International and transnational cooperation on a political and economic level must also be intensified. There are 276 transnational river basin development areas around the world and 148 countries are involved in developing them. Many of the existing and potential conflicts involving the precious resource of water can only be resolved through international cooperation.

Water and energy efficiency
Water is the medium par excellence in energy transfer for cooling and heating. The significance of good water quality for energy efficiency and for the protection of costly investments in households and businesses is being increasingly acknowledged, resulting in strongly growing demand for heating water treatment. The use of processing and cooling water in industry also needs to be optimised in terms of resources.

Ageing infrastructure
Developing and emerging countries are faced with the immense challenge of developing a functioning infrastructure for water supply and disposal. For developing countries alone, the annual amount of investment required to finance water, sanitation and sewerage systems is estimated at US$136.5 billion. However, in industrialised nations where supply networks were developed back at the start of the 20th century, there is a considerable need for action, too. Drinking water and wastewater pipelines have an estimated useful life of 60 to 80 years depending on the material they are made of and have, in many cases, reached the end of their ability to function properly.

Water – our mission

All these challenges are the source of our corporate objective of ensuring hygiene, safety and health in everyday contact with water, the elixir of life. Enjoyment, protection and efficiency are top priorities with a view to comfort and sustainability. The vision of the Best Water Technology Group is to become the world's leading water technology group. We are pursuing this vision with a clear growth strategy – growth through innovation, geographic expansion and continuous process optimisations, and, in existing markets, through existing technology.

BWT products are to be found wherever water is present!

Our philosophy "BWT – For You and Planet Blue" is aimed at people's needs for high-quality water with due consideration of environmental aspects. The BWT Group is Europe's leading water technology company. BWT provides state-of-the-art water treatment systems and services for drinking and mineral water; pharmaceutical and biotech water; boiler water, cooling water and water for air-conditioning systems; process water; water for heating systems as well as swimming-pool water for customers in private households, industry, business, hotels and local authorities. Another key aspect is compliance with all legal requirements, as water is the most strictly controlled food substance in many countries.

In addition to all the macro-economic challenges mentioned in relation to water, there are a number of individual trends that present high growth potential in the water business for the BWT Group.

Consumption patterns

On the one hand, we are seeing abundance and excess weight and, on the other, hunger and malnutrition. New challenges are coming to the fore in the form of under- and malnutrition. Undernutrition is becoming more and more prevalent in highly populated emerging countries, where prosperity is on the rise and a growing percentage of the population is living in cities. This is resulting in changes to dietary habits. As demand for food that is high in fat and protein grows, so, too, does the demand for water-intensive foodstuffs like meat. This phenomenon is also known as a "westernisation of diets". This refers to the shift in food consumption towards more meat and milk products, towards heavily processed foods and ready-made products, as well as towards sugary foods and drinks, fats and oils. But it is not just consumption preferences that are changing, but consumption itself that is on the rise.

Increasing requirements for water quality
Aside from the lack of water availability, the unsatisfactory quality of water is another major problem. Nitrate, arsenic, heavy metals and bacteria contaminate surface water and groundwater in many regions of the world, which is why many people buy bottled water instead. With the help of professional water treatment, substandard water can be transformed into high-quality drinking water, thus helping to reduce the dependency on bottled water.

Water quality as a competitive factor
As a result of increasing consumer requirements, water is used more and more as a factor for differentiation and competition. The hotel, catering and wellness industries in particular rely heavily on the very highest water quality. From drinking water and pool water to water for coffee and tea, water quality plays a decisive role in ensuring success with customers. It is in the Pharma and Biotech segment where we set ourselves the highest quality requirements, where we must ensure absolute reliability in connection with the manufacture of pure and ultrapure water.

Water – a market with considerable growth potential

According to Global Water Intelligence and studies by Deutsche Bank (2010) and Goldman Sachs (2013), the volume of the global water market is between US$300 billion and US$500 billion. Based on estimates from 2012, the European Commission even estimates that the global water market will reach a volume of US$1 trillion by 2020 and then double by 2030.

Therefore, the global water market holds sufficient potential for commercial enterprises. In industrialised nations, within the next few years, growth of 3% to 5% (USA and Western Europe) is expected as a result of 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. A wide range of technologies are required for this. There is likely to be a particularly sharp rise in demand for technical equipment (e.g. pumps and fittings), filtration plants, disinfection processes, efficient irrigation technologies, desalination and treatment plants for seawater, and efficient sanitation facilities.

The amount of investment required in the global water business is equally vast, with priorities varying considerably from one region to another. In the future, industrialised nations will have to invest more heavily in modernising their existing water infrastructure. In the OECD nations alone, the annual amount of investment required is estimated at US$200 billion. By contrast, in developing and emerging countries, the focus is on putting in place a water infrastructure that can cope with the rapid development of population and industry. Overall, the annual amount of investment required in the global water business is estimated at around €400 billion to €500 billion.

The target market of the BWT Group comprises compact water treatment products for households, businesses, industry, hotels and local authorities. We estimate the volume of the European market for water treatment systems in the domestic technology sector (Point of Entry) at around €1.8 billion, with annual market growth estimated at between 2% and 3% per year. The Point of Use (PoU) segment, where water is treated at the abstraction point, still has a smaller market volume in Europe, although this market promises higher growth rates. The market structure is mostly dominated by local providers; the BWT Group is one of the companies operating internationally and is the market leader in Europe.


Every is crystal clear

Crystal-clear water sources like lakes, streams and the ocean are a reflection of the purest beauty that can be found in nature.

They are a source of life and creation but also a place for human recreation and relaxation. As Europe's number 1 in the area of water treatment, BWT knows that a pool can only be as good as its water. Taking inspiration from the purest water sources found in nature, the BWT pool pearl water generator offers a unique innovation for treating swimming pool water. The newly developed system ensures silky-soft, pH-neutral and lime-free BWT pearl water and is our beauty secret for soft skin and smooth hair. Dive into crystal-clear pool water and create an oasis of well-being for yourself in your own home for improved quality of life and relaxation.

Highlights 2016

- Integration of BWT BARRIER Group, Russia
- Increase of 25.9% in F&E expenses
- Revenues € 610.4 million, EBIT € 17.4 million, net result: € 9.4 million
- Healthy balance sheet: equity ratio 41%, gearing –4.6%

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

ECONOMIC ENVIRONMENT

In 2016, the euro zone economy continued growing at a moderate pace with growth of 1.7% year on year. Private household spending once again provided stimulus for the economy, whereas the persistently difficult international environment and growing political uncertainty slowed the rate of recovery. With GDP growth of 1.5% in the year under review, Austria almost caught up with the pace of growth in the euro zone and with the powerful German economy (+1.9%). Meanwhile diverging developments were observed in the southern peripheral countries. While Spain continued to recover relatively well from the period of crisis (+3.2%), Italy was confronted with increasing problems from both an economic and political perspective.

In the USA, economic growth fell short of expectations in 2016 and slipped below the 2% mark. In conjunction with the diminished economic momentum in China of late (+6.6%), this contributed to a noticeable slowdown of global trading activities. Current projections indicate that although international trade and global economic growth are likely to pick up in 2017, there is also expected to be a considerable downside risk caused by the stronger protectionist tendencies experienced recently. Under these circumstances, an increase of just 1.5% in aggregate economic activity is expected for the euro zone in 2017, with the actual repercussions of the UK's impending exit from the European Union difficult to gauge.

Real GDP growth in %	2015	2016*	2017*
Austria	1.0	1.5	1.5
Germany	1.7	1.9	1.5
France	1.3	1.3	1.4
Italy	0.7	0.7	0.9
Spain	3.2	3.2	2.3
Switzerland	0.8	1.5	1.8
Euro zone	2.0	1.7	1.5
USA	2.6	1.6	2.2
Japan	0.5	0.5	0.6
Russia	–3.7	–0.8	1.1
China	6.9	6.6	6.2

Consumer prices in %	2015	2016*	2017*
Austria	0.9	0.9	1.7
Germany	0.1	0.4	1.5
France	0.1	0.3	1.3
Italy	0.1	0.0	1.2
Spain	–0.6	–0.4	1.6
Switzerland	–0.6	–0.4	0.0
Euro zone	0.0	0.3	1.4
USA	0.1	1.2	2.3
Japan	0.8	–0.2	0.5
Russia	15.5	7.2	5.0
China	1.4	2.1	2.3

**Sources: Austrian Institute of Economic Research, EU Commission, SECO and IMF*
*(*2016: estimates, 2017: forecasts)*

Inflation in the euro zone in 2016 was again well below the European Central Bank's mid-term target of 2.0%. In Austria, the annual rate of inflation averaged 0.9%, while the comparative figure for Germany was 0.4%. Due to increasing energy and food prices and the continuing relaxed monetary policy of the ECB, a higher rate of inflation than in the reporting year is expected for 2017.

On the European employment market, all the signs pointed to recovery – even though many countries continued to be faced with challenges relating to the refugee crisis. Over the course of 2016, the rate of unemployment in the EU-28 fell to just over 8.0%, its lowest level since the start of 2009. Unresolved problems in the year under review once again included high youth unemployment, particularly in the southern member states. For instance, more than 40.0% of Greeks and Spaniards under the age of 25 were without work in 2016. In Austria, meanwhile, the trend still showed no signs of reversing. Despite solid growth in employment, the Austrian unemployment rate surpassed the 6% mark in 2016.

The ECB stuck with its expansive monetary policy in 2016. While both the prime rate and the deposit rate for commercial banks remained at historically low levels, the bond purchasing programme intended to boost the economy was even extended by a further nine months until the end of 2017. In contrast, the US Federal Reserve again adjusted its key interest rate upwards in the reporting year. Further interest rate steps have already been announced for 2017, although there is considerable uncertainty regarding economic policy under the new US presidency.

The political developments of 2016 left their mark on the foreign exchange markets, as indicated, for example, by the fall of the British pound following the Brexit vote. The big winner in the reporting year was the US dollar. Compared with all other major currencies, in 2016 the dollar climbed to its highest level in 14 years. The euro lost around 4.0% against the US dollar, hitting a year-end figure for 2016 of 1.05 EUR/USD. The Swiss franc exchange rate was relatively stable, while the rouble recovered from its crash in the previous year. Russia's national currency strengthened its position against the US dollar tangibly in 2016 by roughly 20.0%.

A turnaround was experienced on the commodity markets in the reporting year. In December 2016, the member states of the OPEC oil cartel agreed to cut their subsidies for the first time in eight years. The fact that non-OPEC countries like Russia also followed suit shortly afterwards means that the oil price is likely to rise in 2017 when the announced measures are implemented accordingly. At the end of 2016, a barrel of North Sea Brent oil already cost just under USD 57 (lowest figure in January 2016: USD 27). Base metal prices also seem to have bottomed out, as indicated, for example, by the roughly 17.0% rise in the price of copper in the year under review.

INDUSTRY ENVIRONMENT

Development of the industry environment showed a positive trend in 2016 despite subdued economic development. Consumer spending in the euro zone went up by 1.7% year on year, which can be attributed primarily to moderate inflation and slight easing on the employment market. The European construction industry expanded for the third successive year, although the growth rate of 2.0% fell short of expectations. Tight public-sector budgets in some countries and the phasing out of EU subsidies, in the case of Eastern European EU member states, had a dampening effect.

The longstanding growth trend in the sanitary industry continued in 2016. Estimates by the Ifo Institute indicate that sales revenues in Germany rose by 3.0% to €23.7 billion. Unlike the previous year, domestic revenues developed somewhat better than foreign business. Overall, the business climate was largely positive in the domestic and building technology industry, something that was also reflected in the number of business start-ups and the rising level of employment. In 2017, representatives of the sanitary industry are anticipating total revenues of over €24.0 billion.

The food service industry recorded equally pleasing figures in 2016. In the first nine months of the reporting year, businesses in this industry posted real revenue growth of 0.6% in Germany, although general conditions were challenging on account of price pressure and a shortage of skilled workers. In Austria, year-on-year revenue growth was as high as around 6.0%, not least due to the strong summer season in the tourism industry with the best overnight stay figures on record since 1993.

We estimate annual market growth for water treatment systems in Europe at between 2% and 3% 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 or just before use, still has a smaller market volume in Europe, albeit with higher growth rates. Higher growth rates are also likely outside Europe, particularly in emerging countries with poor drinking water quality.

BUSINESS IN 2016

In 2016, the BWT Group achieved revenues of €610.4 million, exceeding the previous year's figure by €75.1 million (14.0%). Adjusted for changes to the Group structure (particularly on account of the BWT BARRIER Group, which has been consolidated since October 2015), consolidated revenues were up 8.1% on the previous year.

A declining gross margin (revenues less material costs) and increased advertising expenditure drove EBITDA down from €49.0 million to €39.0 million. As a result of lower impairment losses year on year, the decrease in EBIT was just €1.9 million (-9.9%). The downturn in EBIT and the rise in tax expenses were both offset by a positive financial result, bringing the Group's consolidated net earnings before non-controlling interests to €9.4 million – up 6.0% on the previous year's figure of €8.9 million. At €10.8 million, the Group's consolidated net earnings after non-controlling interests were only slightly improved (by 3.1%) on the previous year (€10.5 million). Cash flow from operating activities decreased year on year and amounted to €40.8 million at the end of 2016 (previous year: €45.9 million), whereas cash flow from investing activities improved to €-23.2 million. Last year's figure was €-33.8 million owing to the acquisition of the BWT BARRIER Group. As at 31 December 2016, the BWT Group had net cash of €8.9 million. In the previous year, net debt was still €9.3 million. The equity ratio recorded in the consolidated statement of financial position went up from 40.4% to 41.0%.

Revenues development

In the 2016 financial year, the BWT Group achieved consolidated revenues of €610.4 million compared with €535.3 million the year before.

All business segments contributed to this growth in revenues, and developed as follows:

Segment revenues (in million €)	2016	2015	+ / – %
Austria / Germany	227.1	208.1	9.1%
France / Benelux / UK	133.1	129.7	2.6%
Scandinavia	65.2	59.5	9.6%
Italy / Spain	38.2	33.1	15.2%
Switzerland / Others	146.7	104.8	40.0%
BWT Group	610.4	535.3	14.0%

The Austria / Germany segment generated total revenues of €227.1 million in 2016, which equates to an increase of 9.1%. This increase is mainly attributable to increased revenues in pharma business and growth in household water softening systems at BWT Germany and Austria. This confirms the effectiveness of the "Pearl Water Strategy" with AQA perla water softening systems in particular.

The France / Benelux / UK segment achieved revenue growth of €3.4 million (+2.6%), which can be attributed predominantly to increased revenues in project business (+25.3%) at the French subsidiary. EUR/GBP exchange rate changes had a negative impact on revenue growth in this segment.

The Scandinavia segment recorded an increase in revenues in pharma and service business. Overall, Scandinavia contributed €65.2 million to the Group's consolidated revenues compared with €59.5 million in the previous year.

The Italy / Spain segment reported a revenues upturn of 15.2%. Total revenues came to €38.2 million. In this segment, BWT Italy recorded pleasing revenue development in the domestic technology sector, and BWT Spain posted growth in pharma business.

Revenues in the Switzerland / Others segment benefited primarily from the acquisition in Russia, which was finalised in October 2015, and amounted to €146.7 million (previous year: €104.8 million). This represents an increase of 40.0%, which was due chiefly to the full-year inclusion of the BWT BARRIER Group in 2016. Unlike the previous year, the EUR/CHF exchange rate had a negative effect on segment revenues in 2016.

The European market remains the core market for the BWT Group. This market accounts for 92.2% of revenues (previous year: 92.0%), with the revenues contribution generated in Eastern Europe almost doubling thanks to the Point of Use revenues of BWT BARRIER.

In 2016, 5.8% of consolidated revenues were generated in Asia (previous year: 6.1%) and 2.0% in the rest of the world, after 1.9% in the previous year.

Revenues from Point of Entry products rose by 10.6% from €341.4 million in the previous year to €377.6 million. This product segment thus accounted for 61.9% of the BWT Group's consolidated revenues (previous year: 63.8%). The Point of Use business, which is critical with respect to further strengthening the BWT brand, again achieved stronger growth rates. At €108.6 million, the previous year's revenues were exceeded by 46.8%, owing primarily to the acquisition of the BWT BARRIER Group, thereby increasing the percentage of total revenues to 17.8% (previous year: 13.8%). The BWT Group generated €124.1 million in revenues in the service and spare parts business in 2016, surpassing the previous year's figure (€119.9 million) by 3.6%. This segment thus contributed 20.3% (previous year: 22.4%) of the Group's consolidated revenues.

As at 31 December 2016, the BWT Group had an order backlog of €94.8 million compared with €90.1 million for the same period of the previous year. The increase of €4.6 million, or 5.2%, is mainly attributable to the pharma and biotech business.

Earnings development

In spite of increased revenues, greater material costs and higher other operating expenses – primarily for advertising – resulted in lower operating earnings before depreciation and amortisation (EBITDA). This figure came to €39.0 million at the end of 2016 and was down 20.4% on the previous year (€49.0 million). Lower impairment losses drove EBIT down by 9.9% year on year from €19.3 million to €17.4 million. The improved financial result drove up consolidated net earnings before non-controlling interests by 6.0% year on year. Consolidated net earnings after non-controlling interests were 3.1% higher than in the previous year.

Other operating income moved up from €7.2 million to €8.0 million (11.2%), which can be explained primarily by increased grants for research and development.

At €0.3 million, own work capitalised was slightly lower than the previous year's figure of €0.5 million.

The cost of materials ratio (including changes in inventories) increased from 36.6% in the previous year to 38.1%. This was due to the product mix with greater revenues in pharma business and to valuation allowances for inventories.

Personnel expenses increased from €177.8 million to €195.3 million (+9.8%). Roughly half of this increase can be attributed to the full-year consolidation of the BWT BARRIER Group, and the rest to the higher employee headcount, higher wages and salaries on the basis of higher collective wage agreements and restructuring costs.

Other operating expenses went up by 26.0%, from €120.2 million in the previous year to €151.5 million in 2016. Almost a third of these cost increases (around €10.0 million) relates to the BWT BARRIER Group, more than €16.0 million originates from increased advertising expenditure and €5.0 million is owing to other cost increases.

EBITDA (earnings before interest, taxes, depreciation and amortisation) deteriorated by 20.4%, from €49.0 million to €39.0 million.

Depreciation and amortisation decreased from €29.7 million to €21.6 million (-27.2%). No additional goodwill impairment was taken in 2016, whereas goodwill impairment expenses amounted to €9.1 million in the previous year. Normal depreciation and amortisation went up from €15.3 million to €16.1 million.

EBIT decreased by 9.9% from €19.3 million to €17.4 million, with a reduction in the EBIT margin from 3.6% to 2.9% of revenues.

The BWT Group's financial result improved year on year from €-2.7 million to €+1.5 million. Financial income went up from €1.6 million to €3.8 million, due partly to higher profit distributions from investments (€+0.5 million) and partly to valuation gains from foreign currency financing (mainly RUB) (€+1.5 million). Financial expenses declined by €2.0 million to €-2.3 million. Last year, the Group posted costs relating to liabilities from company disposals and expenses for the valuation of foreign currency financing.

The improved financial result more than compensated for the decline in EBIT, with earnings before taxes at €18.9 million up 13.8% on the previous year's figure (€16.6 million). The Group tax rate increased from 46.4% to 50.1% mainly on account of deferred taxes. At €9.4 million, total annual earnings before non-controlling interests were up by 6.0% on the previous year (€8.9 million). Return on revenues came to 1.5% (previous year: 1.7%). The share in earnings of minority shareholders amounted to €-1.4 million (previous year: €-1.6 million). At €10.8 million, the BWT Group's consolidated net earnings after non-controlling interests were slightly higher (by 3.1%) than the previous year's figure of €10.5 million.

The number of treasury shares was unchanged in 2016, with the average number of issued shares amounting to 16,760,082. Earnings per share totalled €0.65 (previous year: €0.63).

The Management Board is proposing a dividend payment of €0.20 per share at the next Annual General Meeting. A figure of €0.20 per share was paid out last year.

Segment earnings

EBIT in the individual business segments was as follows, compared with the previous year:

Segment EBIT (in million €)	2016	2015	+ / – %
Austria / Germany	–11.7	1.1	n/a
France / Benelux / UK	6.7	0.3	n/a
Scandinavia	10.8	9.4	15.7%
Italy / Spain	2.4	1.0	131.5%
Switzerland / Others	9.3	7.6	22.5%
BWT Group	17.4	19.3	–9.9

In 2016, earnings in the Austria / Germany segment were characterised by higher advertising expenditure, consulting expenditure and impairment losses on property, plant and equipment.

In the France / Benelux / UK segment, EBIT climbed from €0.3 million to €6.7 million, whereas last year segment earnings were negatively impacted by goodwill impairment of €4.8 million.

In the Scandinavia segment, EBIT went up by 15.7% to €10.8 million in 2016, mainly on account of higher revenues in pharma business.

The earnings situation in the Italy / Spain segment improved in line with revenues as a result of restructuring measures over the last few years, with earnings totalling €2.4 million at the end of 2016 (previous year: €1.0 million).

There was improvement in the Switzerland / Others segment in 2016, with earnings increasing by 22.5% to €9.3 million. Impairment of goodwill in Russia of €4.3 million was required in this segment last year. This year, the absence of this expense compensated for valuation allowances for receivables and inventories as well as price-related income reduction in Switzerland.

Development of net assets and financial position

The BWT Group's net assets and financial position was also stable at the end of 2016.

Lower operating earnings saw cash flow from operating activities fall by 11.1% from €+45.9 million in the previous year to €+40.8 million.

Cash flow from investing activities improved from €-33.8 million in the previous year to €-23.2 million as a result of considerably lower payments for acquisitions compared with the year before. The company spent €24.9 million on investments in intangible assets and property, plant and equipment (previous year: €14.4 million), with 2016 impacted by property investments in Germany, Denmark, Russia and Spain.

Cash flow from financing activities totalled €-13.6 million, compared with €+9.6 million in the previous year. In 2016, financial liabilities of €11.0 million were repaid. In 2015, proceeds from the final tranche of the promissory note loan positively impacted cash flow from financing activities by €20.0 million. Dividend payments declined from €4.7 million to €3.4 million.

As at 31 December 2016, the BWT Group had net cash of €8.9 million compared with net debt of €9.3 million in the previous year. Gearing (the net debt to equity ratio) dropped from 5.1% to -4.6%, while net current assets went down from €57.8 million to €45.1 million amounting to 7.4% of revenues (previous year: 10.8%).

The BWT Group's total assets rose by 4.7% year on year from €453.4 million at the end of 2015 to €474.6 million. Group equity increased by 6.1% from €183.3 million to €194.4 million. The equity ratio went up from 40.4% to 41.0%. Under IFRS provisions, the share buy-backs of €19.4 million (previous year: €19.4 million) are shown as a deduction under equity. Compared with the previous year, currency differences had a positive impact of €5.6 million on equity.

Return on capital employed (ratio of NOPAT (EBIT less income taxes)) to average capital employed (previous year's balance sheet date to the balance sheet date for the current financial year – in percent) deteriorated from 5.5% in the previous year to 4.6% in 2016. Return on equity (net profit for the year before non-controlling interests in relation to average equity) was unchanged against the previous year at 5.0%.

Employees

The success of BWT depends, on the one hand, on the enthusiasm for water technology that we invest in our products and technologies and, on the other hand, on the considerable dedication and solidarity demonstrated by our employees. Employees constitute the most important success factor for BWT. From product developers and process engineers through to production workers and fitters right up to the staff working in the service departments – at BWT, employees with technical or business qualifications are assigned a wide range of tasks in all areas of activity. BWT has a flat organisational structure that allows for direct and face-to-face communication.

As at 31 December 2016, the BWT Group employed a total workforce based on FTE (full-time equivalents) of 3,326 people (previous year: 3,276 people).

1,115 people are employed in the Austria / Germany segment (previous year: 1,070), 782 people in the France / Benelux / UK segment (previous year: 773), 227 people in the Scandinavia segment (previous year: 220), 113 people in the Italy / Spain segment (previous year: 106), and 1,089 people in the Switzerland / Others segment (previous year: 1,107).

As is the case every year, there were no strikes or labour disputes anywhere in the Group in 2016. Social benefits vary from company to company and include well-equipped workplaces; canteens; various company events; health and pension insurance benefits; free drinks at the workplace 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. The company spent a total of T€994.0 to cover direct training costs (previous year: T€797.9).

Our employees have a number of exceptional characteristics including 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.

The Management Board would like to sincerely thank all employees across the various business segments and departments of the BWT Group for their outstanding efforts in developing BWT to become an international water technology group and transforming the "BWT" brand into a leading water brand.

Sustainability (corporate social responsibility)

BWT has firmly anchored sustainability in the corporate strategy with the three key areas of economic, environmental and social sustainability. The Management Board and the management teams of the Group companies in their individual functional responsibilities are chiefly responsible for its implementation. In this regard, BWT bases its actions on the international guidelines of the Global Reporting Initiative (GRI), which have largely been incorporated in the existing reporting and controlling management system. BWT AG holds the following certifications: ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001. The subsidiaries can also refer to a number of key certifications that support our business processes. The further development of management systems and CSR indicators represent important objectives for our company. Key activities throughout the Group include the optimisation of our business processes and production methods as well as the implementation of the BWT brand and product development strategy, whereby sustainable aspects throughout the entire product lifecycle and beyond are taken into account right from the development stage. People's safety, hygiene and health in their daily contact with water are a primary focus in this respect. Recording of important basic data on the Group companies was continued in the 2016 financial year.

Research & development
BWT develops devices and processes for the treatment of drinking water, in both the Point of Use and Point of Entry segments. The development team's efforts are also directed at water treatment for industry, with a particular focus on the pharma and life science sector. In 2016, the Group spent €13.3 million on its diverse research and development activities (previous year: €10.6 million).

The Point of Use segment encompasses all devices that treat drinking water directly at or immediately before the tapping point. For the UTS (Under the Sink) segment, a filter was developed that enriches drinking water with magnesium ions. It was launched on the market as the "BWT Magnesium Mineraliser".

For the HORECA (Hotel Restaurant Café) segment, a process was developed specially for the treatment of drinking water intended for coffee machines. This process removes hard water chemicals and any potential harmful substances from the drinking water using membrane technology and then remineralises the water. The mineralisation of the "Bestcoffee" cartridge is optimised so as to prevent the formation of limescale inside the coffee machine, while ensuring sufficient water hardness to produce the perfect coffee aroma. The Point of Entry segment unveiled its AQA Smart plus water softener. The device provides optimum limescale and corrosion protection.

For the pharma and life science industry, special UV devices were developed named "Bewades DCL". They remove chlorine from the drinking water while disinfecting it. The new process will replace not only dosing with reducing agents, but also the use of hygienically unsafe activated carbon filters. For deferrisation (iron removal) and softening purposes, the "Multi HX" device series was developed specifically for the Asian market. These devices are installed directly at the water supply's point of entry.

The more than 100 employees working in BWT's development departments endeavour to produce new products and processes – and develop existing ones – with a special focus on conservation of resources, quality, functionality and safety.

Reporting on key features of the internal control system with regard to the accounting process
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 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 in which individual 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 accounting 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 the relevant management personnel in detail. Local management is responsible for compliance with the guidelines in its 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 that 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 reporting software used to record and analyse data, ensures regular checks of the assets development and earnings performance of the individual Group companies. 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 the Group Finance department and is regularly brought to the attention of the Management Board. In the 2016 financial year, the Group-wide data warehouse "SMART" was again used for organisational purposes in this area to provide key detailed data on developments in revenues and margins for products, customers, purchasing and inventory information. 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 (e.g. automatic reading of bank account statements) allows for a weekly bank account status update and monitoring of credit lines, derivative transactions and current liabilities. Furthermore, intra-group payments are monitored by a netting system and intercompany balances are regularly recorded and adjusted.

Consolidated results of the Group are provided to the Supervisory Board every six months in accordance with IFRS reporting standards. The shareholders were also informed about the business situation on a half-yearly 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. 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.

In the course of the annual reporting process for 2016 – as in previous years – the key internal control processes of the individual Group companies were again queried in a "Minimum Control Report". The effectiveness and regularity of the processes were confirmed in writing by the local chief financial officers and general managers.

Risk management

The BWT Group's risk management system is applied to all processes in order to systematically identify, record, evaluate and regulate significant operating and strategic 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 pre-determined company objectives.

The BWT Group's risk management system is based on a Group-wide risk management policy. The risk management process is supported by web-based reporting software. Quarterly reporting is designed to enable early identification 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 risks are identified together with relevant countermeasures, responsibilities are defined and material risks are catalogued by the Group Finance department 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 overseeing the risk management system.

Material risks

The main types of risk that could adversely affect the company's net assets, financial position and results of operations are as follows:

Development risk

As a leader in technology, we regularly develop new products and processes that are based on basic research and new methods, which in some cases can only be implemented and manufactured with the use of complex, newly developed and expensive production technologies. Despite extensive testing, malfunctions cannot be ruled out and it may be that investments prove not to be worthwhile. Aside from the loss of investments made and existing customers as well as potential 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 segment concerned.

Risk when acquiring and establishing new companies

BWT has in the past – and in the current financial year – carried out acquisitions and established new companies. We assume that there will be further acquisitions in the future and/or that more new companies will be established. There is an inherent risk that companies that have already been acquired or established and/or that are acquired or established in the future will fail to achieve the anticipated results. In particular here, there is a risk of failure to integrate Group members that have already been acquired or that are acquired in the future successfully into BWT's business operations and company structure, and to achieve the anticipated positive synergy effects.

Personnel risk

A significant part of BWT's success is based on the experience, contacts and knowledge accumulated by the company's managers and key employees. If managers or key employees resign, it cannot be guaranteed that the company 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 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. The BWT Group's investment strategy is geared 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, at present we consider the current economic conditions to have no impact on its access to credit lines.

Interest rate risk

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

Currency risk

The BWT Group partly finances its operating resources, investments and possible expansion in foreign currencies. Cash and cash equivalents are also held in foreign currencies. There is also a currency risk for individual transactions and financing within Group companies on account of different currencies being involved. These transactions are largely related directly to the international character of the Group's operations. Covering transactions are carried out in the Group's central treasury for cash flows in foreign currencies and these reduce the negative effects of exchange rate fluctuations. Necessary interest and currency hedging (e.g. by means of derivatives) from the operating activities in the BWT Group are carried out and overseen at Group level. Overall, it should be noted that the general situation and greater exposure in non-euro countries in these areas is likely to result in higher fluctuations.

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. In addition, 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, for example by obtaining company information from reputable agencies. However, with a more difficult environment in individual countries, despite careful examination, increasing defaults of receivables are to be expected.

As in the previous year, this was taken into account through the recognition of a portfolio-based allowance for impairment losses on receivables.

IT risk
Many company operations are supported by the use of IT systems (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, as outlined in the IT Guidelines.

Overall risk
Risks posing a threat to the BWT Group are monitored to the best possible standards by the resources and measures described above. BWT does not currently envisage any risks that 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 no-par value 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, a private trust in which Mr Andreas Weissenbacher, the long-standing CEO of BWT AG, holds a controlling participation within the meaning of the Austrian Takeover Act (ÜbG), and its subsidiary FIBA Beteiligungs- und Anlage GmbH together held 15,478,388 shares as at 31 December 2016. This equates to 86.8% of BWT AG's total share capital. Around 7.2% of the share capital is in the free float. The remaining 6.0% are BWT AG treasury shares. As at 31 December 2016, BWT AG had purchased a total of 1,073,418 treasury shares in the course of its share buyback programme. The free float is held by Austrian and international investors. BWT's shares are listed on the Standard Market Auction of the Vienna Stock Exchange under International Security Identification No. AT0000737705.

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 statute that are not derived directly from the law.

Based on the statute of BWT AG, the Annual General Meeting resolution dated 23 May 2013 authorises the Management Board to increase the company's share capital by up to a further €8,916,500.00 to €26,750,000.00 by 22 May 2018. This is to be achieved by issuing new shares.

Resolutions of the Annual General Meetings held on 24 May 2007, 20 May 2008, 26 May 2010, 24 May 2012, 19 May 2014 and 1 July 2016 authorised the Management Board to buy back and (with the approval of the Supervisory Board) resell the company's own shares by other means than via the stock exchange or through a public offering, and also disapplying existing shareholders' subscription rights. The last acquisition to date occurred on 20 September 2013. As at the balance sheet date of 31 December 2016, BWT AG holds a total of 1,073,418 treasury shares.

The Management Board knows of no significant agreements made by the company that 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.

Information and publications for the BWT Group are also accessible on the website at www.bwt-group.com.

Outlook

The BWT Group's sound balance sheet structure with a high level of equity, its internal financing strength and, in particular, its technological leadership in the water treatment business with a range of unique products and processes form the basis for the sustainable development of BWT AG and its subsidiaries in the global water treatment market.

Further integrating the BWT BARRIER Group, which operates in Point of Use consumer business, is a key task facing BWT's management. This business area in particular is driving BWT's internationalisation on the promising Asian markets. Starting on 1 April 2017, Gerald Steger will be joining the Management Board as COO, where he will be responsible for Point of Use business. Efforts in connection with the development of the "BWT" brand with the brand message "For You and Planet Blue" as the leading water brand will be stepped up again in 2017. For 2017, only small income increases are anticipated.

In August 2016, the Linz Higher Regional Court ruled that the resolution adopted by the 25th Annual General Meeting of the company on 25 August 2015 on the merger of BWT Aktiengesellschaft and its wholly owned subsidiary BWT Holding AG, and the associated delisting of the company that was contested by shareholders in court, is legal.

However, the decision by the Linz Higher Regional Court is not final; shareholders have appealed for review by the Supreme Court, though its decision is still pending.

Mondsee, 1 March 2017

The Management Board

Andreas Weissenbacher
Chief Executive Officer

Gerhard Speigner
Chief Financial Officer


Every
is energy

Our planet is an innovative energy producer. Spectacular proof of this can be found in the breathtaking natural spectacle of the northern lights.

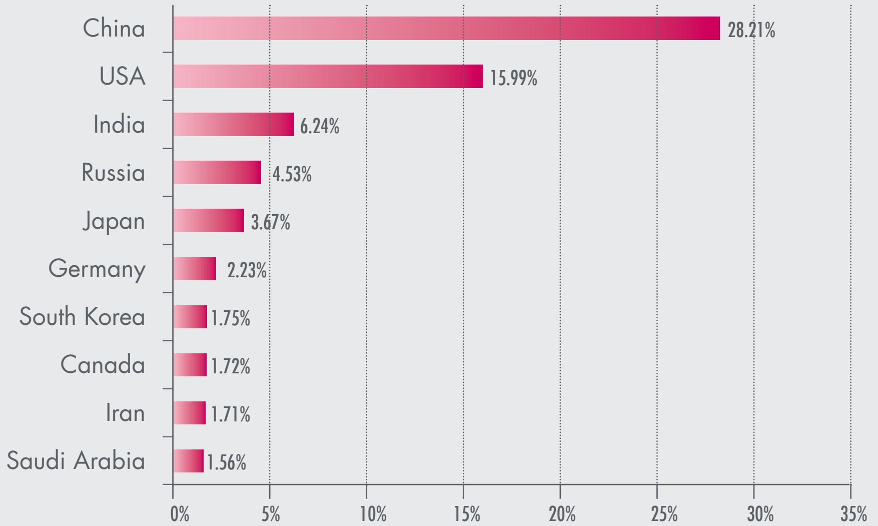
This captivating, magical natural phenomenon occurs when electrically charged particles of the solar wind from the magnetosphere collide with oxygen and nitrogen atoms. At a time when our existing energy resources are dwindling, BWT's subsidiary FUMATECH is committed to the energy generation of the future. A high-performance membrane makes up the core of fuel cells, the energy supplier of tomorrow. In 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 is the optimal method of converting chemical energy in an electrochemical process to power and heat. This "clean energy" is used for products such as laptops, batteries and cars. Energy generation research is particularly close to BWT's heart – after all, this field is directly related to the future of our Planet Blue.

Clean energy –
Battery and fuel cell membrane technologies from BWT

Fossil fuels, such as coal, petroleum and natural gas, are finite on our planet. At the same time, the negative effects of fossil fuels are becoming clearer and clearer. Climate change with all its consequences, such as global warming, melting glaciers, natural catastrophes and water shortages, is progressing rapidly.

Climate change is mainly caused by greenhouse gases, especially carbon dioxide (CO_2). Around 36.4 billion tonnes of CO_2 emissions are released annually, and this number is growing. By far, the largest environmental sinners are the industrialised countries. China and the USA with led in terms of CO_2 emissions worldwide in 2016 with 28.21% and 15.99% respectively. The main source of carbon dioxide emissions continues to be the burning of fossil fuels, which still have the largest share in the energy mix worldwide with approximately 85%.

Global CO_2 emissions

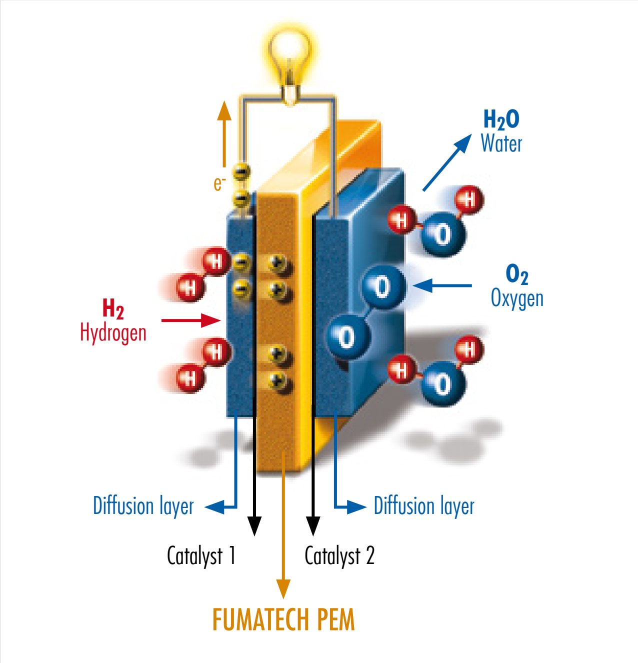


Quelle: Statista 2016

The International Energy Agency (IEA) estimates that the primary energy requirement will rise by 37% by 2040. At the same time, it is assumed that the share of renewable energies in the energy mix worldwide will rise rapidly as a consequence of new technologies and subsidies. However, IEA assumes that annual worldwide emissions of CO_2 will rise by a fifth by 2040. This forecast stands in contrast to the two-degree goal agreed upon in the United Nations Framework Convention on Climate Change that is to limit global warming to less than two degrees Celsius as compared to the level before industrialisation began.

Hydrogen: the energy source of the future

The fuel cell, allied with renewables, is the key to combating climate change. Fuel cell technology is the optimum option in this regard. It can be used for the stationary generation of power and heat in residential housing, in mobile applications for cars, buses and ships, and even as a provider of electricity for portable electronic devices. The fact that hydrogen contains more than three times the energy of any environmentally harmful fossil fuels such a coal, natural gas and petroleum makes it a perfect source of energy and a highly efficient energy converter. No greenhouse gases, which are harmful to the environment, are released using the "cold combustion" (see graphic below) method of generating electricity. The waste product is simply water. Fuel cell technologies also open up new possibilities with regard to energy storage. Hydrogen can be converted into methane and thus into natural gas (power-to-gas) using methanation, that is bonding with CO_2.



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. (cold combustion). 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.

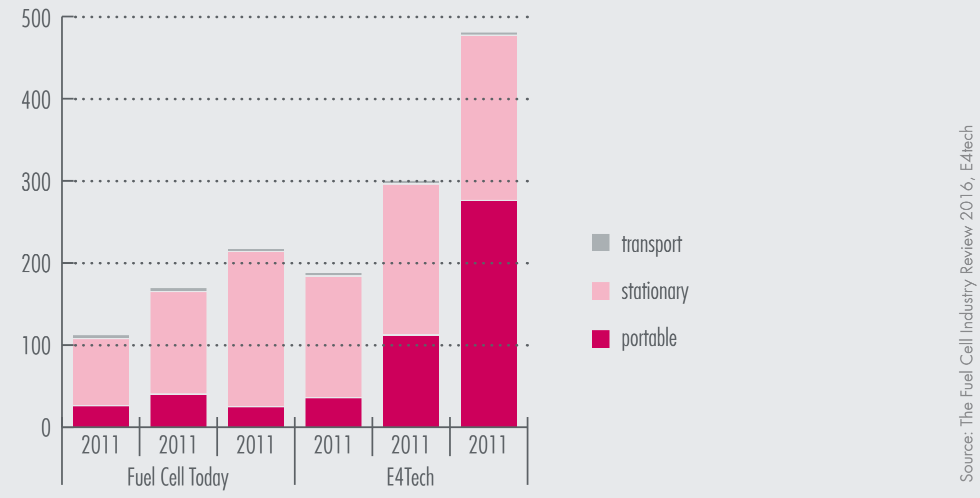
Forms and applications – PEM cells dominate the market

There are two basic types of fuel cells: low-temperature fuel cells (PEMFC – proton exchange membrane fuel cell, DMFC – direct-methanol fuel cell) and high-temperature fuel cells (MCFC – molten carbonate fuel cell, SOFC – solid oxide fuel cell). The most important cell type from a commercial point of view is the PEM cell, which accounted for around 72% of deliveries and around 65% of installed output in 2016. The PEM cell is a low-temperature fuel cell with operating temperatures of 20°C to 170°C. This places less exacting demands on the material of the cell and stack components, which in turn leads to lower material costs. However, a potential disadvantage compared with high-temperature fuel cells is that the gas purity of the fuel needs to be higher. But for the majority of current commercial applications of the PEMFC, which involve the use of pure hydrogen, this is not an issue – which accounts for the higher level of commercialization. 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 on applications in small power stations.

Market trends in 2016

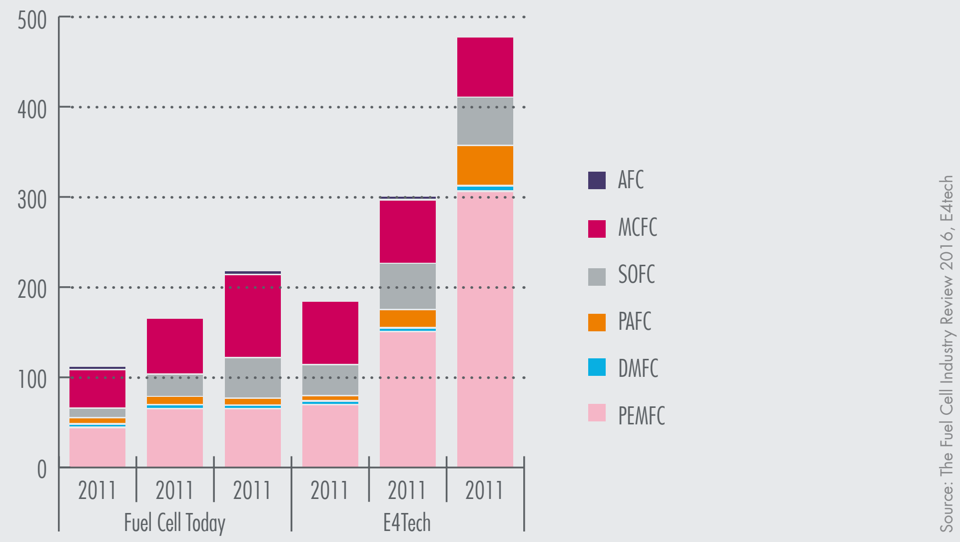
With its wide range of applications, fuel cell technology has the potential to become the most important energy system in the future. Current market figures for fuel cells are highly promising.

Megawatts shipped by application



According to estimations from industry insider E4tech, 65,000 fuel cell units were sold in 2016. This means the quantity of units sold annually has increased four times over what it was in 2010. The entire electrical output of the units sold in 2016 amounted to an estimated 479 MW. The majority of this stems from stationary applications with 200.8 MW with 54,800 units, with a higher output of 277.5 MW with 6,400 units sold in mobile applications for the first time. The portable applications of fuel cells fell again in 2016 to 0.3 MW with 4,000 units. In terms of regions, Asia was the leader in the use of fuel cell technologies in 2016 with an estimated 53,900 units (83%) and 245.9 MW of electrical output, followed by North America with 7,300 units (11%) and Europe with 3.500 units (5%). For 2017, more positive effects are expected for the industry due to the launch of further series production of vehicles powered by fuel cells, although it is as yet impossible to estimate the consequences of Brexit and a new US government on national energy policies. However, the success story of fuel cells will very probably continue in Japan as a result of Ene-Farm heating appliances and the Toyota Mirai.

Units shipped by fuel cell type



Stationary applications

In terms of quantity and output, stationary applications are the most important area of the market. The typical output ranges from 0.5 to 400 kW. Typical areas of application are large-scale units in the megawatt range for primary energy generation, combined heat and power generation systems for large plants and for homes, and backup and standby systems such as for telecommunications and key infrastructural facilities. Asia is the regional leader in stationary systems. As part of the government-supported "Ene-Farm project" in Japan, which went commercial at the end of 2009, over 190,000 systems - preferably PEM systems from manufacturers like Panasonic or Toshiba - have already been installed for private households. An additional 50,000 systems are expected on the market in 2017. The European manufacturers of heating appliances have largely halted in-house development of fuel cell systems and are instead integrating commercial sub-systems, chiefly from Asian suppliers, in their own combined heat and power plants.

Especially in combination with the growth of alternative energies (solar, wind, water, biomass), there are excellent prospects not only for energy conversion in fuel cells but also for energy storage in high-performance batteries such as redox flow batteries with vanadium solutions as the electrolyte, for example. The electricity generated irregularly by 'green' methods can be stored either chemically in the form of hydrogen or electrically in batteries and accessed as needed at any time. In chemical storage, the hydrogen is generated from pure water by means of electrolysis and either saved in gaseous form in gas caverns for subsequent reconversion, methanated with carbon dioxide or fed directly into the existing natural gas network in order to raise the calorific value.

Mobile applications

Mobile applications in the typical output range from 1 kW to 100 kW include beside special-purpose vehicles in the field of logistics like fork-lift trucks primarily vehicles for use on the road such as cars (FCEV – full cell electric vehicles), buses or lorries. Road traffic is responsible for a significant share of CO_2 emissions worldwide. In order to reach the political CO_2 goals, emissions in road traffic must be lowered considerably. Biofuels only have limited potential to meet these requirements, which makes a significant breakthrough for electric cars essential. With fuel cell technologies, no gases are released that are harmful to the environment, but only water. Advantages over electric cars include the wider range of many hundreds of kilometres and the short time required to refuel. Hyundai and Toyota established a milestone when they introduced the first vehicles produced in series with fuel cells. Further well-known manufacturers, such as Honda and Mercedes, are planning to follow in 2017.

The creation of a comprehensive supply network is crucial to the success of fuel cells in private transport. As part of the "Initiative H2 Mobility", it is planned to provide approximately 400 public hydrogen fuelling stations in Germany alone by 2023 with a total investment of around EUR 350 million. The aim is to establish a hydrogen supply that is suitable for everyday use and to ensure the supply of hydrogen for vehicles powered by fuel cells in a manner that meets the requirements for not only urban centres and main traffic routes but also rural areas. This will make vehicles with fuel cell technologies interesting for the mainstream. This trend has a positive effect not only for the environment but also for human health: With vehicles powered by fuel cells, there is a reduction in noise pollution, and there are no local emissions of pollutants such as carbon monoxide, hydrocarbons, nitrogen oxides or fine particulate matter. The global Hydrogen Council was set up by industry leaders at Davos 2017 with the aim of establishing hydrogen as the primary solution for making the transition to renewable energies. At present, these companies are already investing €1.4 billion annually in hydrogen and fuel cell technology.

Portable applications

Typical output ranges for portable applications are from 1 W to 20 kW. Typical application areas range from chargers (such as for mobile phones, music players or notebooks) to portable power generators for leisure applications (such as camping). Mobile power generation in the consumer sector, especially as chargers for smartphones, offers a large market potential for fuel cell technologies even though competition on the market is fierce. The portable applications of fuel cells are in a steady competition with low cost batteries, but they provide a higher level of energy and therefore a better life expectancy for example.

Membrane technology at BWT

Membrane technologies have a special significance in the BWT Group since they are used not only in water treatment but also in energy generation and storage applications. BWT provides innovative solutions for the future for both the supply of hygienically clean water for all conceivable areas of life and the sustainable production of energy.

FUMATECH BWT is 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 and the processing of these materials to create membranes to their technical application. As a supplier of innovative membranes as the central component of a membrane electrode assembly, the heart of the PEM fuel cell, FUMATECH BWT has made a name for itself on the fuel cell market worldwide.

New applications can be found in the market for renewable energy storage, e.g. in large-scale electrochemical storage devices such as redox flow batteries, and in the production and storage of hydrogen as well as carbon dioxide separation for the new concepts of methanation in the area power-to-gas. The storage of energy, for example in the form of hydrogen through the electrolysis of water, represents a highly promising solution to one of the biggest challenges of the energy revolution. This hydrogen could then be admixed to natural gas for calorific value conditioning. According to the DVGW -G 260 worksheet "Gas Quality", the admixture of 5% by volume of hydrogen to natural gas is currently permitted in Germany.

FUMATECH BWT products

As a producer of polymers and membranes, FUMATECH BWT can offer tested products for many energy conversion and storage variants. 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 alkaline water electrolysis.

Membrane type	Operating temperature	Product	Energy carrier	Applications
Low temperature (Type 1)	up to 85° C	fumapem® F,	H_2	stationary, portable
Medium temperature (Type 2)	up to 120° C	fumapem® FS	H_2	stationary, mobile
High temperature (Type 3)	up to 170° C	fumapem® AM	H_2, reformate	mobile, stationary
Direct methanol fuel cell (Type 4)	up to 70° C	fumapem® S	CH_3OH	portable
Battery separators	up to 45° C	fumasep® FAP	Vanadium	stationary
PEM water electrolysis	up to 80° C	fumea® EF	Water	stationary, mobile
Alkaline water electrolysis	up to 130° C	fumasep® FAA	Water	stationary

FUMATECH BWT 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.

[1] German Technical and Scientific Association for Gas and Water

FUMATECH BWT in 2016

New location
FUMATECH BWT has invested around EUR 20 million in its new Bietigheim-Bissingen site in Germany, thereby laying the foundations for a new phase of growth. In addition to new R&D and laboratory capacity, the production facilities are also being expanded and a new production standard is being set. Together with BWT Pharma & Biotech there are around 100 employees working at the new BWT site. This site is to undergo further expansion in 2017, with the addition of a new building containing office and storage space for BWT Pharma & Biotech.

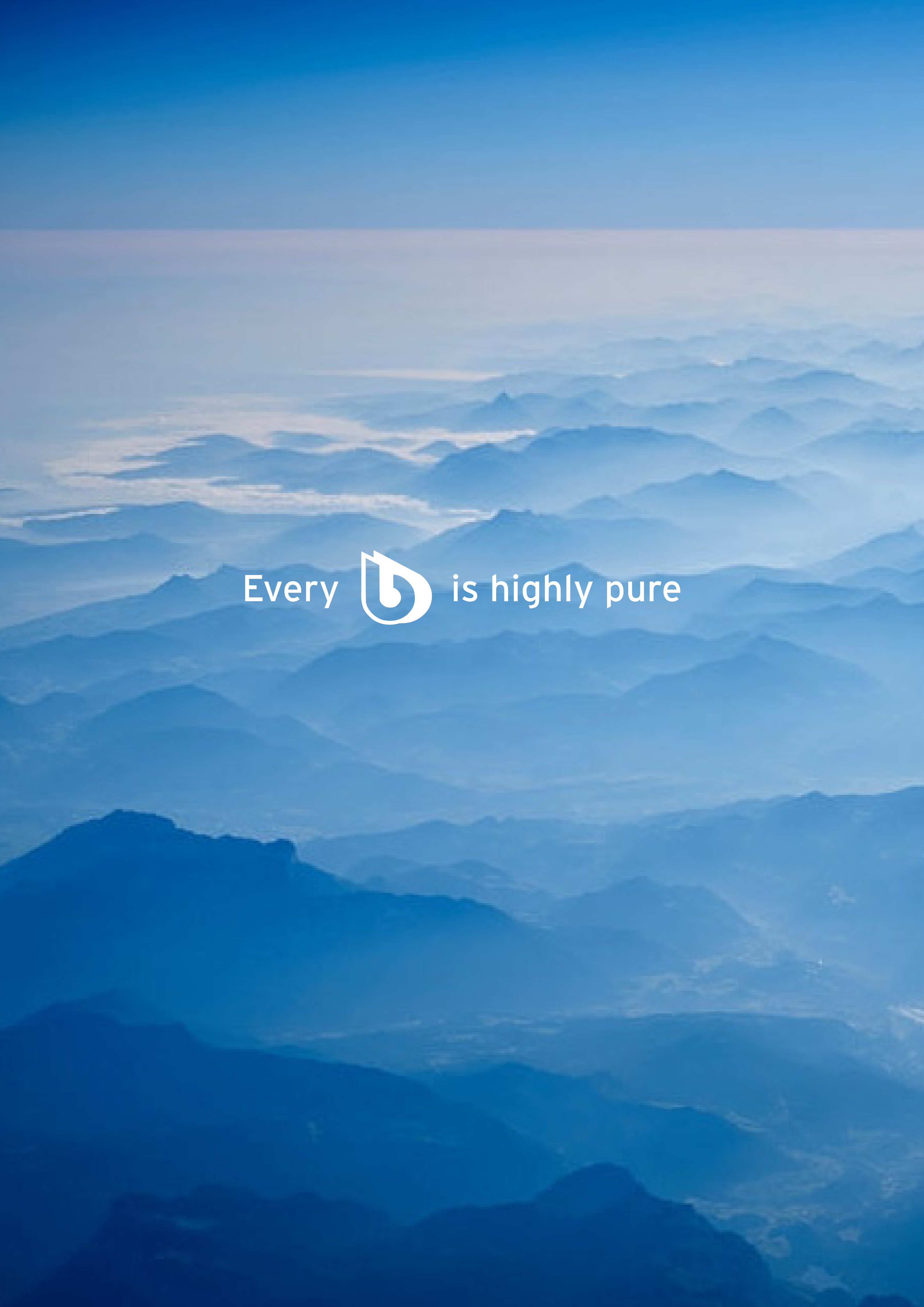
Research partnerships continued
To ensure the sustainability of work at FUMATECH BWT and secure a stable market position in the long term, the current development projects and research partnerships established in 2016 are being continued. Various German and international universities and research institutes, such as the Fraunhofer Society, will continue to act as key research and development partners. In addition, a bilateral partnership with the HySA research centres of the Department of Science and Technology of the Republic of South Africa is supported in the field of fuel cells and water electrolysis.

Current research and development work encompasses processes for saving water and energy in particular, such as capacitive deionisation for industrial water treatment and household use, as well as saving, converting and storing energy.

In the area of energy saving, the focus of research is on low-energy membrane processes for treating and disinfecting water. Energy-saving measures in small-scale consumption systems include, for example, the recovery of latent heat from waste air flows from low-energy houses using enthalpy exchangers. Work is under way on a combination of energy-saving in wastewater treatment and energy conversion in fuel cells with the development of a microbial fuel cell using the example of wastewater from the paper industry.

In the area of energy conversion, an international consortium is developing new materials and membranes to act as game-changers for automotive application of fuel cells at higher temperatures and unmoistened operation. Alongside this, aspects are investigated like quality assurance in series productions of membranes, units of membrane-electrodes as well as damage analysis of series production as a preventive measure for commercialisation of fuel cells. At the same time, tests are being conducted on ageing effects on fuel cells resulting from hydrogen contamination.

However, the biggest research and development efforts are currently being made in the field of energy storage. For example, membranes and membrane electrode units are being developed for PEM electrolysis and alkaline electrolysis for recovering hydrogen. This hydrogen can be fed to a methanation system with carbon dioxide, supplied directly to the natural gas grid to increase the calorific value and used ideally in decentralised systems as a direct energy source for electromobility solutions. In addition to chemical energy storage, the even more efficient storage of energy in batteries is also an option. Here, FUMATECH BWT is focusing on developing separators for large-scale electrochemical storage devices in the MW range and developing membranes for redox flow batteries, as well as degradation mechanisms in related long-term storage devices. In a flagship project with DECHEMA as well as the Universities of Hamburg, Aachen and Erlangen, separators for a new type of tubular battery are being developed. In 2016, the vanadium redox battery (VRB) in particular achieved major commercial importance for storing solar electricity in household applications and above all for storing regenerative energy from wind turbine and solar plants in the MW range. Meanwhile, the first peak polishing projects are being set in motion with the use of large flow batteries in conventional power stations to increase efficiency and thereby reduce CO_2 emissions. The short-term market potential of VRB is already estimated at 200 MW. The current development of new and low cost electrolyte systems may promise a stronger growth rate and a higher market share for flow batteries in the area of energy storage.


Every
is highly pure

For many people, there is no experience more splendid than climbing to the highest mountaintop on Earth to enjoy the unspoiled view of nature.

BWT has mastered the great art of water treatment and uses the most innovative technologies to produce a type of water that is even purer than in nature. Ultra-pure water is used as a basis for infusions and to produce ointments, tablets or vaccinations. This means that it needs to comply with the most stringent safety standards in the pharmaceutical sector. As the global market leader in this segment, BWT has developed the unique SEPTRON BIOSAFE EDI module with integrated ultrafiltration membrane stage for the production of highly purified water (HPW). This premium class of water treatment carries with it a considerable responsibility because it is all a matter of people's health.

Sustainability – For You and Planet Blue.

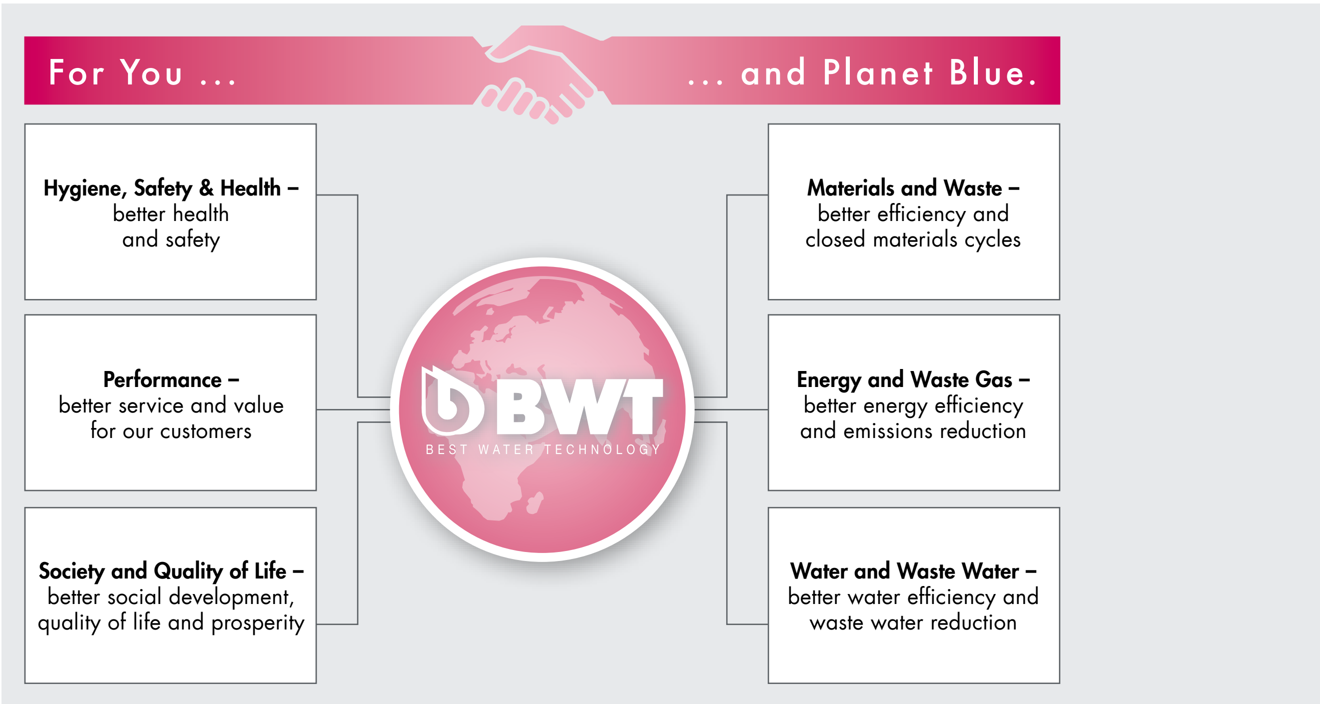
The mission of BWT – For You and Planet Blue.
Water is the global challenge of the 21st century. In the UN Commission's Brundtland Report "Our Common Future", sustainability is defined as follows: "Sustainable development is the kind of development that meets the needs of current generations without compromising the ability of future generations to meet their own needs." With our rich corporate culture and broad range of water treatment systems and services for a wide variety of applications, we do our bit to meet people's needs for high-quality drinking water, health and well-being. 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 as part of our corporate culture

BWT's corporate culture represents our basic values in which we place our particular trust. Closely associated with this is the goal of anchoring sustainability in all our activities throughout the value chain over the long term and in a business sense. On the way to achieving this goal, our mission has been the BWT company concept, which encapsulates our corporate and brand values and serves as a guiding light to our 3,300 or so employees.

Considering the projections that have been made, we expect the significance of the raw material that is water to grow considerably in future years from a political, social and economic perspective. In society as a whole, ever-faster population growth combined with the increased demand for food and energy as well as increased water contamination pose challenges that must be overcome. At an individual level, changing consumer behaviour combined with more stringent water quality requirements are key growth drivers in the water industry. However, in many regions the supply of freshwater from the ecosystem is reaching its limits ("water stress") due to overuse. The global task essential 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 wate



"For You and Planet Blue" in our areas of activity

In keeping with our mission, we have therefore defined six strategic areas of activity by which to measure our actions. The category "For You" encompasses our social and economic sustainability and comprises the provision of products and services that have an impact on hygiene, health and safety, and that relate to quality of life and society. "For You" is therefore directed at all our stakeholders. The category "and Planet Blue" integrates the ecological dimension of sustainability. The conservation of resources measured by material input and waste, energy and emissions, as well as water and wastewater act as guidelines governing our business operations.

In the area of technology innovation and product development, this model forms an important foundation. It is supplemented by the BWT Group's Code of Conduct, which sets out clear guidelines for our employees regarding our moral and ethical values in accordance with which we perform our daily work. Where necessary, the Code of Conduct is supplemented by further-reaching voluntary and statutory regulations, including the BWT Compliance Guidelines to prevent the misuse of insider information, the Corporate Governance Regulations according to the Austrian Working Group for Corporate Governance, the BWT Management Handbook, BWT's IT Policy and several other international and locally applicable guidelines.

Compliance

The compliance system ensures that the organisational requirements are met for compliance with both existing statutory regulations and the Group's voluntary, company-specific guidelines. The purpose of this is not just to avoid risks (liabilities, penalties and fines), but also to create a positive public image for the Company and its employees. Compliance is dealt with at the highest level, i.e. in the Management Board, by Gerhard Speigner (CFO) in his role as Compliance Officer. He is supported in this role by several responsible employees in the Group companies.

Our stakeholders

It is essential that we consider the interests of all stakeholders to ensure the long-term success of the Company. The BWT Group has identified its stakeholders and maintains a close dialogue with all its key stakeholders.

Our most important stakeholders are customers and partners such as wholesalers, installers, planners and architects, employees, suppliers, the environment, society (authorities, social security associations, the public) as well as capital providers such as investors and banks. The following overview shows the corporate departments that are engaged in dialogue with stakeholders along with the stakeholders in question:

BWT operating function	Stakeholder	BWT stakeholder and their dimension
Finance	Capital providers (investors, banks)	Shareholder structure: Major shareholder 86.8%; free float 7.2%; treasury shares 6.0%; some institutional investors as well as retail investors and banks; € 2.9 million in dividends, interest and similar expenses
Human Resources	Employees	3,326 employees (FTE) worldwide, thereof 98.3% in Europe; € 195.3 million in personnel expenses
Research & Development	Environment, customers and partners	Economically and ecologically optimised water treatment products and processes; direct R&D expenditure €13.3 million
Purchasing	Market partners (suppliers)	Several thousand suppliers; cost of materials and operating expenditure € 383.4 million
Production	Environment	Five main production sites: Mondsee (Austria), Schriesheim (Germany), Paris (France), Aesch (Switzerland), Moscow (Russia); € 24.9 million in investments in intangible assets and property, plant and equipment
Sales & Service	Customers and distribution partners	Customers and partners from wholesale, retail, industry and municipalities; revenues of € 610.4 million
BWT Group overall	Society	Authorities; social insurance providers; € 45.4 million in taxes, levies, statutory payroll and social security charges, and donations

Sustainability progress report 2016

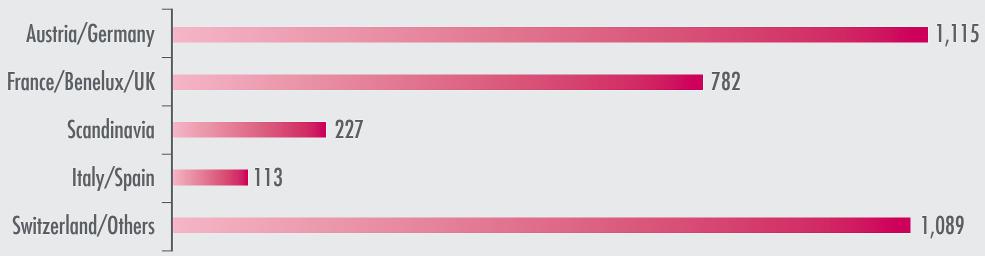
Brand development, partnerships, product innovations (research & development) and infrastructure are the current areas of focus of BWT's sustainability strategy. Resource efficiency is particularly relevant in light of the Group's growth. The acquisition of the BWT BARRIER Group in 2015 expanded production capacity in the Point of Use segment and a fifth R&D water technology competence centre has since been opened in Moscow. Measures intended to improve system technology are carried out on an ongoing basis at BWT locations. These measures also revolve around increasing energy efficiency, optimising logistics etc. A further area of focus is on investments in establishing and developing partner and customer relations through customer seminar programmes at BWT's technology training centres. Our marketing investments have been stepped up further to establish BWT as the "water brand" among end consumers. The BWT BARRIER Group is also contributing on this front as it is enabling us to strengthen our product portfolio, expand our production and distribution capacities in the high-growth Point of Use business, and has given us a foothold in a new consumer market with over 140 million people.

Employees

Brand development is now also having a positive impact in the area of human resources. This is being reflected not only in an increasing number of applications and our greater attractiveness as an employer, but also in a growing awareness of responsibility and service among our employees. BWT offers a range of challenging and attractive job profiles that help employees to develop a number of their individual talents. Areas of activity extend from basic research right up to product development, and from process engineering to finance and fitting right through to marketing and sales and the internal service departments. Internal training programmes with national and international prospects are afforded top priority at BWT. A total of €994,000 was spent on external training in the reporting year (2015: €797.900). This is in addition to an extensive internal training schedule and a programme for junior staff, i.e. as part of apprentice training.

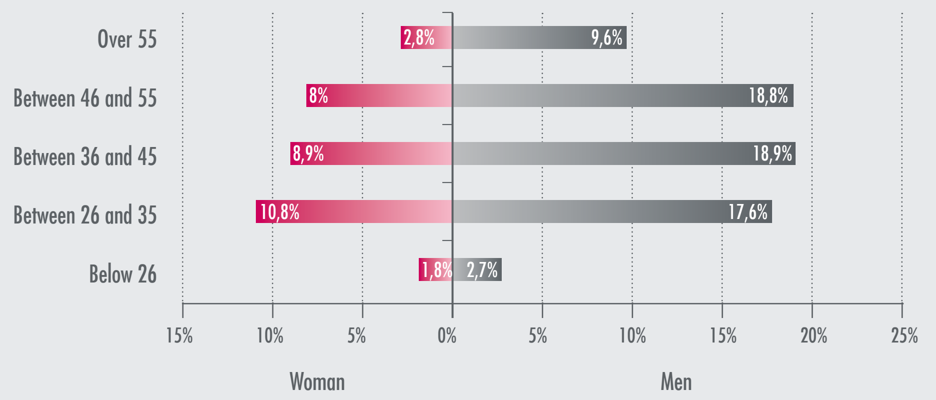
At the end of 2016, the BWT Group employed 3,326 people (based on full-time equivalents). This marks an increase of 50 compared with the previous year. Around 33% of the workforce is located in Austria and Germany and approximately 24% in France, Benelux and the UK. The remaining percentage is distributed across other regions.

Employees, regional breakdown



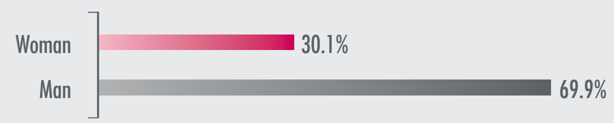
Demographically speaking, male employees in the two age groups 36–45 and 46–55 have the highest share of employees at 37.7% combined. The reason for the higher share of male employees lies in the strong technical orientation of our business areas. The fields of production, logistics, IT and R&D account for almost 35% of our business. The total number of female employees has increased by 5% since last year, and the percentage of women taking part in training has likewise risen from 26% to 30%. Equal opportunities in the workplace and equal treatment of employees are self-evident for the BWT Group. Measures aimed at providing opportunities for women and mothers include increased involvement in internal training and support schemes and opportunities designed to facilitate the work/life balance with flexible working time models (e.g. part-time work). Employee turnover in the reporting year was practically the same at around 7%.

Employees, age structure by gender, share of staff



The percentage of part-time employees was down slightly on the previous year at 8.2%. The percentage of people taking part in internal and external training activities increased from 63% to 67%. Absenteeism averaged eight days per employee in the reporting year, which is a slight improvement on the previous year (2015: nine days). The most important tasks for the future include further improving occupational health and safety measures and reducing turnover, with these tasks also being heavily impacted by retirement and growth.

Employees in training courses



In the BWT Group, works council members ensure that employees' interests are adequately represented. Continuing in the tradition of the years since the company's founding, 2016 did not see any strike action or industrial disputes. To appeal to as many young people as possible, BWT goes into schools and organises company tours, provides support to teachers of specialist subjects and gives talks on specialised topics. In tandem, BWT also exhibits at various careers fairs and works closely with vocational training colleges and universities.

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. The BWT Code of Conduct and Compliance Guidelines give employees guidance on legally compliant and ethically sound behaviour, including regulations on accepting gifts and dealing with co-workers and business partners. An e-learning tool is used to assist in compliance training. Local management is responsible for compliance with the guidelines in its own respective BWT subsidiary. Among other things, the Rules of Procedure emphasise the need for strict compliance with the provisions outlined in the Management Handbook, which defines all relevant regulations and provisions for the management of the BWT Group.

Green & Blue Building Award for the BWT AQA smart Plus

This is now the fifth time that the BWT AQA smart Plus has been recognised by the Green & Blue Building Award. In 2016, the sustainability award ceremony was hosted in Vienna. The award distinguishes people, products and projects that make a major impact in terms of sustainability. The AQA smart Plus was nominated and honoured in the product and project categories since the technical properties of the AQA smart Plus help to save water and prolong the service life of pipes.

Customers

Our customers include wholesalers, installers, architects, planners and a large number of businesses from virtually all sectors, the pharmaceutical industry and municipalities (e.g. hospitals), which are served by our local customer branches as well as field and service staff who are trained at BWT in-house training centres. In the export markets, there is a dynamic and growing network of partners including general importers and wholesalers. In our Point of Use activities, end consumers and retailers are now playing an increasing role.

The establishment of the "BWT" brand among consumers and the associated development and expansion of the Point of Use business segment are an integral part of BWT's sustainability strategy. The Point of Use segment, which accounted for 17.8% of the Group's revenues in 2016 thanks to the acquisition of the BWT BARRIER Group (previous year: 13.8%), acts as a catalyst for the BWT Group as a whole and investment is made at all levels of the company to provide impetus for development. Specifically, all the other product segments and partners stand to benefit from the new Point of Use business areas and from greater brand awareness of BWT ("push-pull strategy").

Funding school reading clubs in the greater Cologne/Bonn area

BWT does not just get involved with major sporting events like the German Touring Car Masters (DTM). The company also consistently takes part in local sponsorship activities such as the 6th Cologne reading marathon. The entry fees for this event are being used entirely to set up and sustain reading clubs.

The Run & Ride for Reading e.V. association has been setting up reading clubs in schools in the greater Cologne/Bonn area since 2009. These clubs represent one of the most sustainable and efficient means of promoting learning and reading skills among children and young people, which are the key to a good education. With 50 reading clubs in Cologne/Bonn so far, Run & Ride for Reading is already successfully reaching over 10,000 pupils. By funding another reading club, participating in events like the Cologne reading marathon or making a donation, companies are making an important contribution to education in the region – and are thereby fulfilling their social responsibility obligations.

The development and expansion of our ("drinking water professionals") partner network in the Point of Entry product segments continued in 2016 as well. The network now comprises thousands of BWT drinking water professionals and BWT partners across Europe – qualified specialists who install BWT products for end consumers. The expansion of sales is being driven forward in the Point of Use segment as well as in international sales.

Certification gives business partners and customers the confidence that we work to the very highest standards. Group-wide, 16 locations were certified in accordance with the quality management system ISO 9001 and 9 in accordance with the environmental management system ISO 14001 in the reporting year. The systematic tracking of quality and environmental performance indicators ensures the constant evolution of all process at the respective subsidiaries.

Suppliers
The high level of automation in some of our plants is giving rise to more stringent requirements when it comes to quality and productivity, and these requirements are having an impact throughout the value chain including on our suppliers. Procurement is carried out by means of a centrally coordinated Group procurement mechanism and, at local or regional level, by the procurement departments of local Group companies. The assessment of suppliers is based on sustainable dialogue and partnership, and helps them to improve their performance even further. Adherence to BWT sustainability principles forms a permanent part of these partnerships. Procurement terms and conditions include ethical and environmental standards, which are in alignment with the existing BWT environmental management system. These include a ban on child labour, discrimination and corruption as well as environmental compliance, particularly with regard to packaging. A system of regular supplier audits is also in place.

Economy
From an economic perspective, too, sustainability is one of the great challenges of our time. We are making the vision and corporate goals of the BWT Group a reality in the long term with our growth strategy. A solid balance sheet picture, low debt leverage, a high equity ratio and investments in R&D, infrastructure and brand development constitute a strong basis for optimally exploiting our opportunities in the growth market of water treatment systems. In the long term, the Group is striving to finance its activities from its own cash flow.

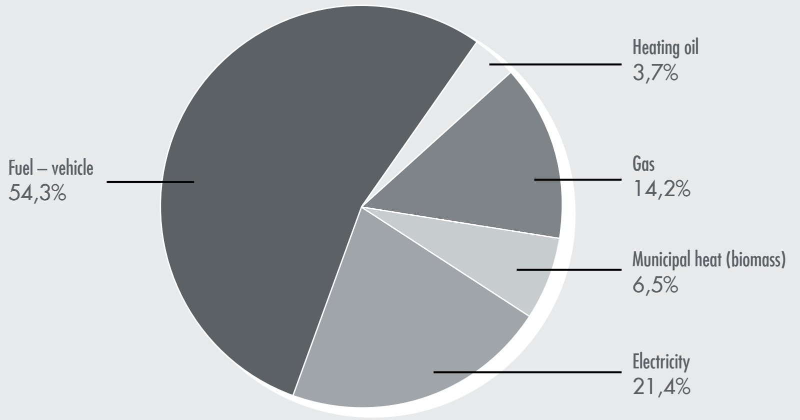
The high capacity for innovation – one of the main pillars of the BWT Group's growth strategy – has continuously set new standards in the water technology sector over the past 25 years. BWT products therefore deliver the highest standards of safety, hygiene and health, as well as efficiency, environmental friendliness and sustainability. Customers should be able to tell the difference with BWT water, according to the philosophy "Feel – taste – see the difference". In 2016, the Group spent €13.3 million on its various research and development activities (2015: €10.6 million).

Environment
Within the context of the existing quality and environmental management certification (ISO 9001 and ISO 14001), a particular emphasis is placed on energy consumption, waste prevention and recycling. Major successes were achieved with the optimisation of logistics, but energy consumption has increased in absolute terms due to expansion – albeit with sustainable energies. The share of renewable energy sources used for heating purposes at the main site in Mondsee is roughly 95%. Since November 2015, 90% of the electricity used at the BWT headquarters has come from hydropower and 10% from other environmentally friendly energy sources. Thanks to this conversion, no CO_2 emissions are produced.

For its professional waste management, BWT has agreements with licensed scrap material companies for the collection and environmentally sound disposal of waste in all countries where its production plants are based. Virtually all brass and cardboard packaging are already recycled, for example.

According to provisional figures, the energy consumption of the BWT Group was 66.7 GW/h in 2016. At around 54.3%, the largest share of this relates to fuel consumption for the company's large fleet of vehicles (1,324 vehicles). Heating accounts for roughly a quarter of energy consumption and electricity for around a quarter. The share of biomass as a renewable energy source has stayed the same as in 2015 at 6.5%.

Energy use in the BWT Group (%)



The breakdown of CO_2 emissions mirrored this, with the highest share of around 54.8% again largely relating to the company's fleet of vehicles, while most of the remainder was attributed to heating. In 2016, a total of 15,500 tonnes of CO_2 were emitted, which is a slight improvement on the previous year. 11,500 tonnes of emissions were emitted directly and roughly 4,000 tonnes indirectly (electricity). Relatively speaking, however, the modernisation of the company's internal fleet with more efficient vehicles as well as the state-of-the-art new buildings mean that the situation has improved.

Drinking water professionals – best partner programme in the industry

"The installer installs, and the BWT drinking water professional benefits!" BWT's drinking water professional concept is committed to this claim, and according to building services trend research company "Querschiesser" it is the best partner programme in the industry. To ensure consistently high quality for our partners, the partner package comprising BWT products, the BWT Academy, partnership marketing and personalised customer service is constantly being developed in line with our guiding principles. In September 2016, for example, the new loyalty scheme "Pearls & more" was introduced. Drinking water professionals can also take advantage of BWT's global brand building as part of sports sponsorship events like the DTM.

Society

As a taxpayer, the BWT Group paid around €9.5 million in income taxes in 2016 (previous year: €7.7 million); its tax rate was 50.1% (previous year: 46.4%). Furthermore, other taxes and levies amounted to €3.2 million (previous year: €3.6 million) and statutory social security contributions amounted to €32.7 million (previous year: €30.7 million). A total of €45.4 million was therefore paid directly to public funds and social security institutions.

In 2016, BWT worked with 18 national and international aid organisations, donating a total of €412,500. Financial donations were used not only to help alleviate hardship for employees and others in the region, but also to support projects in emerging countries (e.g. building wells in Cambodia or AIDS/HIV awareness in Kenya). It also supported sports clubs and young sportspeople through sponsoring initiatives.

KAKIHE – Well construction in Cambodia

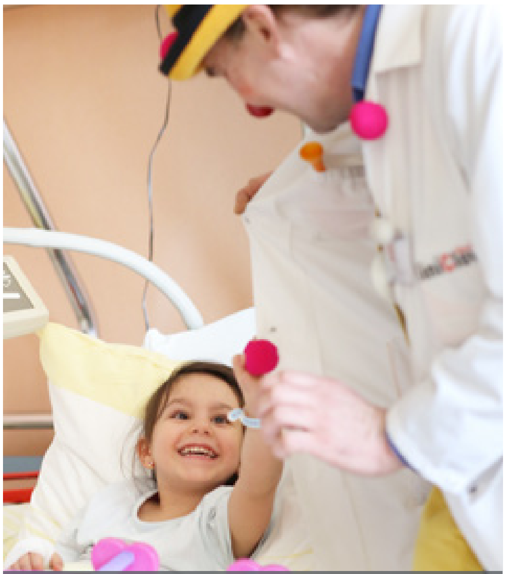
SOCIAL RESPONSIBILITY 2016

St. Anna Children's Cancer Research Institute e.V.

Doctors without borders Austria

YOUTH ONE WORLD

DEBRA Austria – Children with Epidermolysis



CliniClowns Upper Austria

EXIT 7 – Youth Emergency Shelter Salzburg

MOMO – mobile hospice for children

Herzkinder Austria

Red Cross

DTM Mercedes AMG

6th Reading Marathon Cologne

Viktor Polasek junior world champion

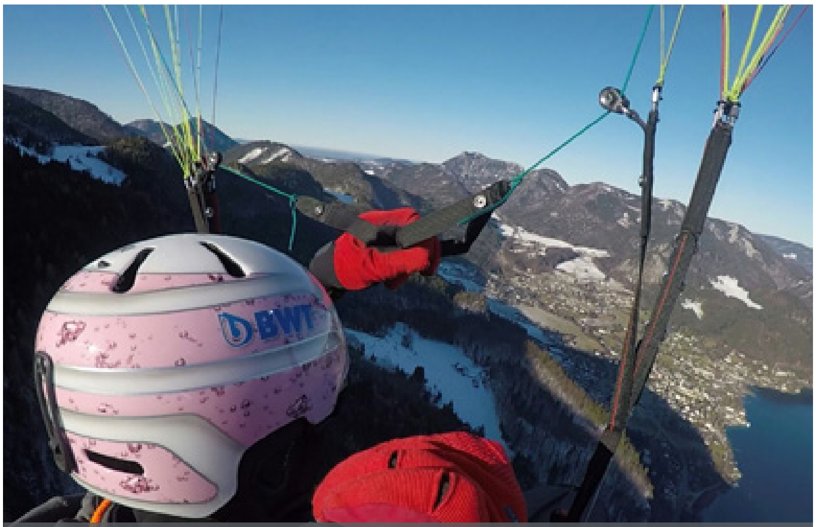
SPORT SPONSORING 2016

Skiing Club Tennengau/Austria

Triathlon Obergrafenberg/Germany

Mondseelauf half marathon

Ski jumping team Czech Republic



Paraglider Alex Lettner

Roller skates contest Italy

AQA smart Plus – Home and Trend Award, GBB Award

Brand BWT at the Point-of-Sale

HIGHLIGHTS MARKETING & AWARDS 2016

1st Flaghshipstore in Jakarta, Indonesien

IFA Berlin

BWT BARRIER – new office and showroom in Moscow

BARRIER Ukraine – Choice of the Year

BARRIER – Brand No. 1 award in Russia

VIDA – KitchenInnovation of the year, German Design Award

BWT – most influential brand in China

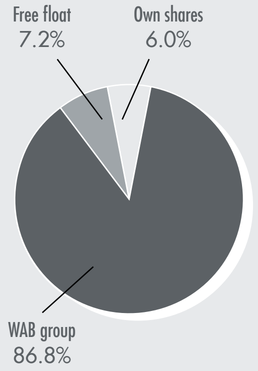

World of Coffee Dublin

The BWT share

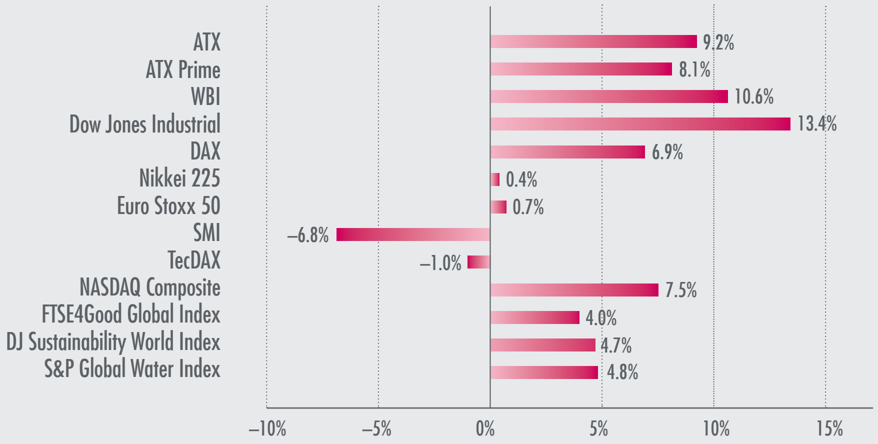
Data and facts about the BWT share	
Number of shares	17,833,500 shares[1], issued to bearer
Free float	7.19% as at 31/12/2016
ISIN	AT0000737705
Bloomberg code	BWT AV
Reuters code	BWTV.VI
Main trading center	Vienna Stock Exchange
2016 low	€ 17.90 (as at 18/01/2016 ; 2015: € 17.04)
Average price 2016	€ 20.80 (2015: € 19.25)
2016 high	€ 23.40 (as at 31/10/2016; 2015: € 21.00)
Year-end price 2016	€ 23.00 (2015: € 19,50)
Market capitalization	€ 410 million (as at 30/12/2016; 30/12/2015: € 348 million)
Trading volume per day	1,367 shares (double counting, Vienna Stock Exchange, 2016)
Trading turnover per day	€ 28,391 (double counting, Vienna Stock Exchange, 2016)
Index membership	WBI

[1] *therof 1,073,418 (6.02%) treasury shares as at 31 December 2016*

Shareholder structure (Dec. 2016)



Index performance 2016



Source: onvista.de, Vienna Stock Exchange AG

Information per share	2016	2015	Change
Earnings (€)	0.65	0.63	3.2%
Dividend (€)	0.20*	0.20	0.0%
Book value (€)	11.60	10.94	6.1%
P/E maximum	36.0	33.3	–
P/E minimum	27.5	27.0	–
P/E year-end	35.4	31.0	–

** Proposal to the Annual General Meeting*

Share performance in 2016

Despite the continuation of a highly expansive monetary policy by the central banks, particularly in Europe, lower energy prices and modest global economic growth meant a weak start to the new trading year for the global stock markets. A surprising slowdown of the Chinese economy unsettled the markets until mid-February. The substantial recovery that followed, which was driven primarily by positive economic data emanating from the USA, was not clouded on a lasting basis by either the Brexit vote in June or the unexpected result of the US presidential election in November.

Compared with 2015, the US leading index – the Dow Jones Industrial Average – posted a gain of 13.4% in annual performance, hitting a new record level. The index started the year at 17,421.16 points, before hitting its low of 15,450.56 points as early as 20 January. By the end of the year the Dow Jones gained more than 4,300 points, and reached its high of 19,987.63 points on 20 December. 2016 was also a very positive year for the NASDAQ 100 technology index, which gained 7.5%. The German share index (DAX) opened 2016 at 10,734.01 points before losing around 8% in the first few weeks of the year. It was the weakest start to the year in 25 years. The index hit its low of 8,699.29 points on 11 February. From this date onwards, the index regained some ground thanks to positive economic data and the continuation of a highly expansive monetary policy by the ECB, and closed the year at a new record high of 11,481.66 points. The annual performance was a plus of 6.9%. By contrast, the TecDax technology index did not fully recover from the marked decline at the start of the year – despite posting a good performance in the second half of the year. Its annual performance was down 1.0%.

Just like last year, the leading Austrian index – the ATX – was among the leading indexes in an international comparison and gained 9%. The Austrian Traded Index started 2016 at 2,396.94 points. The index hit its low of 1,929.73 points on 11 February, before waiting until the end of the year (16 December) to reach its high of 2,659.26 points. The ATX closed 2016 at 2,618.43 points.

At the end of 2016, the market capitalisation of the Vienna Stock Exchange stood at €95.6 billion. This represents an increase of 78.7% compared with the year-end figure for last year. After a three-year upward trend in Austrian share shares (sales up by 50% between 2013 and 2015), the trading volume was stable in 2016. Just like last year, the months of March with sales of €5.7 billion (previous year: €5.7 billion) and June with sales of €6.0 billion (previous year: €5.5 billion) were particularly notable. In 2016 – the 25th anniversary year of the Vienna Stock Exchange – two companies carried out capital increases, with €223 million in equity capital raised overall.

The sustainable funds sector also benefited from the positive performance of the stock markets. The Sustainable Business Institute (SBI), a sustainable investments pioneer, covers all funds that take into account social, ecological and/or ethical criteria to a significant extent. As at 30 September 2016, there were 409 such public funds in the Germany/Austria/Switzerland economic area, compared with 400 at the end of 2015. The volume of funds amounted to €65 billion (previous year: €47 billion). A total of 17 new funds covering all asset classes were entered in the database in 2016.

The BWT share opened the year at a price of €19.50. The share hit its low of €17.90 on 21 January. From this date onwards the share posted a largely positive performance throughout the year, reaching its highest price of €23.40 on 31 October and again on 3 November. The BWT share ended 2016 at a price of €23.00, which equates to a market capitalisation figure of approximately €410 million. This meant that annual performance was up 18.9%. BWT's shares are listed on the Standard Market Auction of the Vienna Stock Exchange under ISIN AT0000737705.

At year-end BWT Aktiengesellschaft held 1,073,418 treasury shares, which is the same number as in 2015. This corresponds to 6.0% of the total outstanding shares. Mr Weissenbacher, WAB Privatstiftung, FN 166606 i, a private trust within the meaning of the Austrian Takeover Act (UebG) controlled by Mr Andreas Weissenbacher, and its subsidiary FIBA Beteiligungs- und Anlage GmbH together hold 15,478,388 shares (previous year: 14,477,866). This equates to 86.8%. The free float decreased commensurately to 7.2% and is held by Austrian and international investors.

On 23 November 2016, FIBA Beteiligungs- und Anlage GmbH, a member of the WAB Group, presented itself as a bidder in a voluntary public offer pursuant to Sections 4 et seq. of the Takeover Act. The offer related to the acquisition of all BWT Aktiengesellschaft shares listed for official trading on the Vienna Stock Exchange that were not owned by the bidder, a party acting in concert with the bidder or BWT Aktiengesellschaft. The offer was accepted on 9 December 2016 and was not subject to any conditions. The offer price was €23 per share. Up until the end of the acceptance period, the offer was accepted for a total of 477,573 BWT shares. This equates to roughly 2.7% of the share capital.

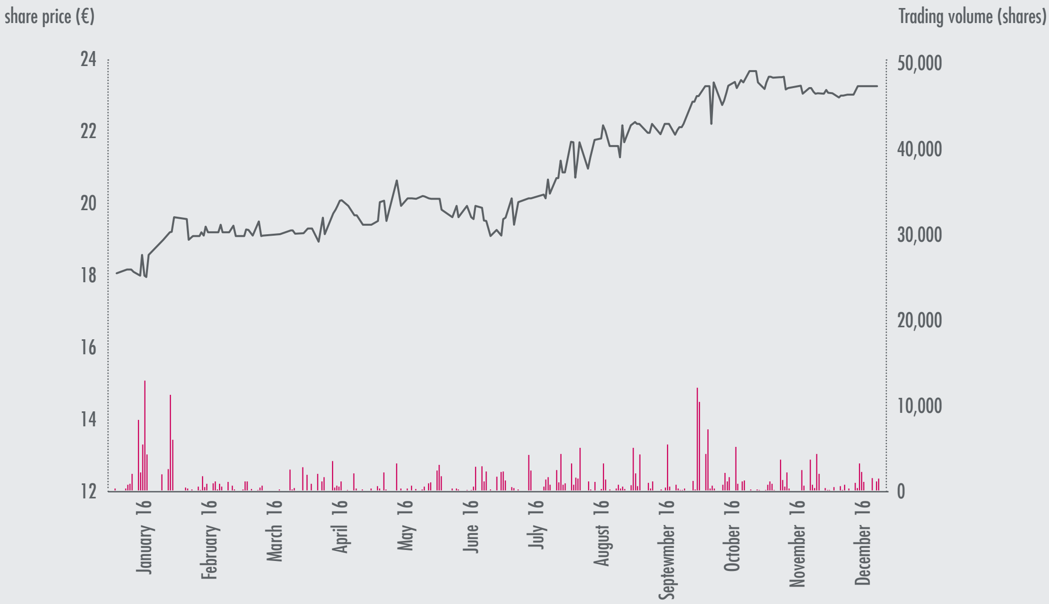
During the extension period of the voluntary public offer in 2017, an additional 224,922 shares were acquired by FIBA Beteiligungs- und Anlage GmbH.

The Management Board and Supervisory Board will propose to the next Annual General Meeting a dividend payment of €0.20 per share for outstanding shares for the 2016 financial year. The payout ratio would thus be 30.8%.

Investor Relations

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 basis of information on which to arrive at a sustainable decision to invest in our company. We are committed to the Austrian Corporate Governance Code.

BWT share performance chart for 2016



Source: Vienna Stock Exchange AG

Information and contact:

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Investor Relations: Andreas Weissenbacher/CEO, Gerhard Speigner/CFO
Shareholder telephone: +43 6232/50 11-1113
E-Mail: investor.relations@bwt-group.com

Corporate-Governance-Bericht

pursuant to Section 243b of the Austrian Commercial Code (UGB)

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

1. Commitment to the Corporate Governance Code

BWT complies with the most recent version of the Austrian Corporate Governance Code as amended in January 2015, 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 provisions of Austrian corporation legislation in this respect (Austrian Stock Exchange Act, Company Law Amendment Act 2013, Corporate Law Amendment Act 2008). This enables transparency for all stakeholders of the company. The Code is publicly accessible on the homepage of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

To avoid insider trading, since 2002 BWT has implemented a policy based on the Emittenten-Compliance-Verordnung (ECV – Regulation on Compliance for Issuers) of the Austrian Financial Market Authority. The Code of Conduct is aimed at all employees, includes all the principles of conduct, and provides guidance on the fundamental ethical and legal obligations of BWT employees.

2. Composition of the executive bodies, operations and board member remuneration

a) the Management Board

The Management Board is made up of Mr Andreas Weissenbacher (born 1959) who has been Chief Executive Officer of BWT AG since 8 January 1991. Mr Weissenbacher is responsible for the operating business and for the departments Research & Development, Purchasing, Human Resources, Marketing, and Investor & Public Relations. Mr Gerhard Speigner (born 1960) has held the office of Chief Financial Officer since 1 May 1996 and manages the departments Finance, Controlling, Treasury, Business Analysis, Information Technology, Law, Taxes and Risk Management. The members of the Management Board are also represented on the executive boards of the subsidiaries headquartered in Austria, Hungary, Italy, Spain, Denmark, Sweden, Norway, China, Malta, Belgium, Switzerland and Germany. Both members of the Management Board are appointed until 20 September 2020. This organisation allows for a high level of flexibility and efficient operation within the Management Board. Important decisions by the Management Board, as defined in the Management Board Rules of Procedure, require the approval of the Supervisory Board. None of the members of the Management Board assumed any other supervisory board mandates or similar functions in domestic or foreign listed companies in the period under review.

Starting on 1 April 2017, Mr Gerald Steger, born in 1960, will join the Management Board as COO (Chief Operating Officer), where he will be responsible for managing the entire PoU product segment of the BWT Group.

Report on the remuneration of the Management Board

Management Board remuneration 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 remuneration is not issued via share options, but is dependent on long-term and sustainable performance criteria. These include predefined goals with regard to company results, as well as qualitative and quantitative goals.

In 2016, 84% of the total remuneration of the Management Board was fixed and 16% performance-related. No figure was determined for the variable maximum. In 2016, the remuneration of Mr Andreas Weissenbacher amounted to €468,800 and that of Mr Gerhard Speigner to €392,800. There is no company pension plan. There is a liability insurance protection policy in place for the management of the Group (D&O insurance).

b) The Supervisory Board

The Supervisory Board is currently composed of five members with considerable expertise in business administration and legal affairs, personal qualifications and many years of experience, who are elected by the Annual General Meeting. All members are Austrian citizens.

Supervisory Board member	First appointed	End of current term
Dr Leopold Bednar (Chairman, born 1948)	5 July 1991	AGM 2021
Dr Wolfgang Hochsteger (Vice-Chairman, born 1950)	5 July 1991	AGM 2021
Gerda Egger (born 1964)	24 May 1996	AGM 2021
Dipl.-Vw. Ekkehard Reicher (born 1941)	24 May 1996	AGM 2021
Dr Helmut Schützeneder (born 1944)	25 May 2011	AGM 2021

None of the members of the Supervisory Board assumed any other supervisory board mandates or similar functions in domestic or foreign listed companies in the period under review.

Independence of the Supervisory Board

Every member 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 is deemed to be "independent" pursuant to the general clause of Rule 53. 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 and holds 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 are no other committees established by the Supervisory Board of BWT AG. The duties of a Nomination and Remuneration Committee are assumed by the entire Supervisory Board. The following persons of the Supervisory Board form part of the Audit Committee: Dr Bednar as Chairman, Ms Egger and Mr Reicher (Dipl.-Vw.). The Audit Committee held two meetings in 2016 at which the preparation and analysis of the annual financial statements and the internal control, auditing and risk systems were discussed. The auditors attended both meetings.

In 2016, the Supervisory Board held four ordinary meetings. The average attendance rate was 95%. The main activities of the Supervisory Board in the reporting period are detailed in the Report of the Supervisory Board.

Report on the remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board was determined by the Annual General Meeting on 1 July 2016, for the 2016 financial year. The members of the Supervisory Board received expense reimbursements totalling €60,000 for their activities during the 2016 financial year (2015: €60,000). The basic remuneration for the members amounted to €10,000 (2015: €10,000) per person, and €30,000 for the Chairman (2015: €30,000). Mr Ekkehard Reicher (Dipl.-Vw.) declined reimbursement for expenses. In addition, travel costs in the amount of €906.04 were also reimbursed.

3. Internal auditing

The internal auditing duties are performed by the Group Finance department. The Management and Supervisory Boards are given regular reports about important results of these activities.

4. Measures to provide opportunities for women in the Management Board, Supervisory Board and in top management positions

It goes without saying that BWT acknowledges equal opportunities at work and equal treatment of employees. Measures to provide opportunities for women include a special focus on women in internal training and support schemes and opportunities to facilitate the balance of work and family life through flexible working time models (e.g. part time work) and home office options. Female employees make up roughly 15% of the management of the BWT Group and 20% of the Supervisory Board.

The Management Board

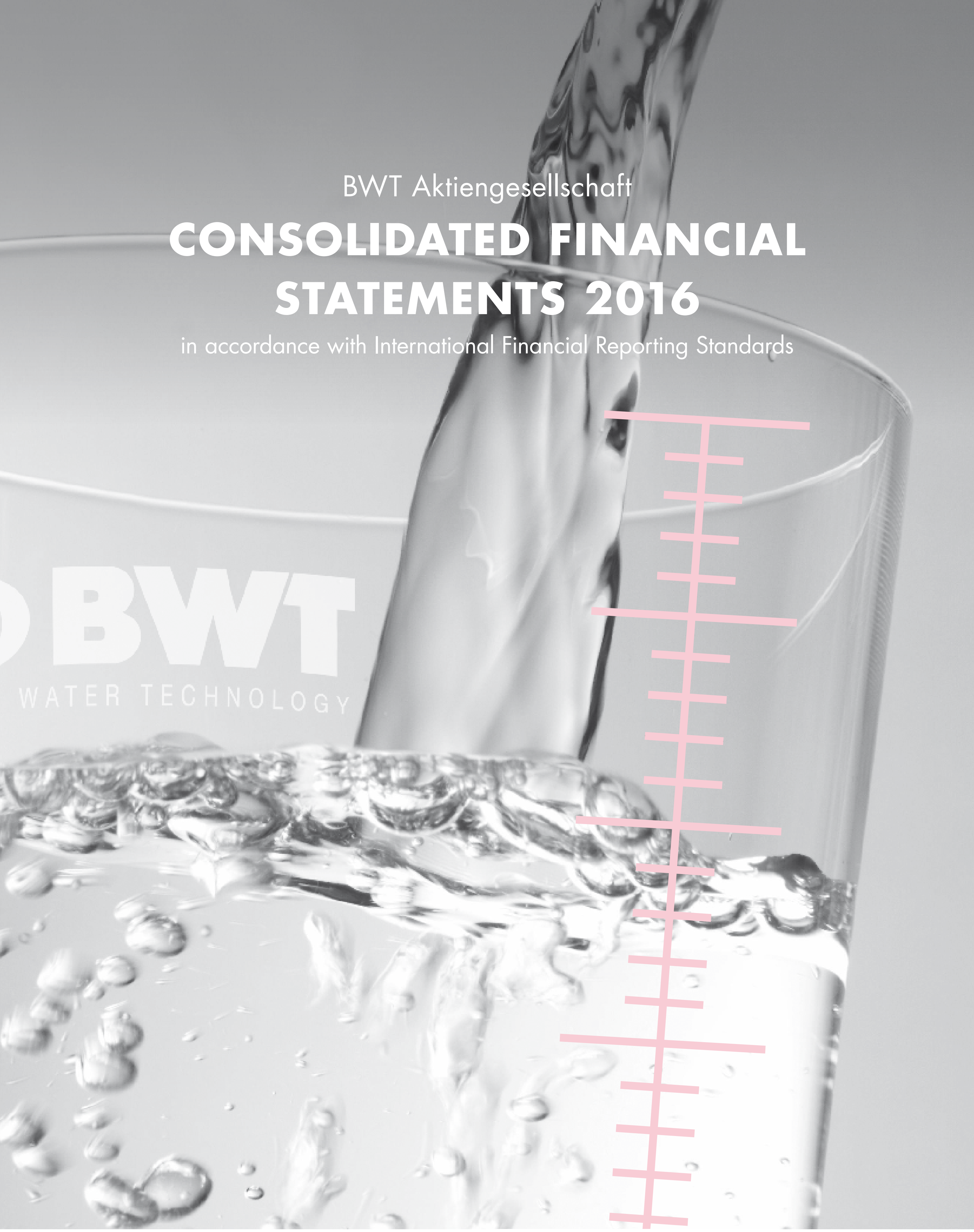
Andreas Weissenbacher
Chief Executive Officer

Gerhard Speigner
Chief Financial Officer

BWT Aktiengesellschaft

CONSOLIDATED FINANCIAL STATEMENTS 2016

in accordance with International Financial Reporting Standards



I. Consolidated income statement for financial year 2016

	Note	2016 T€	2015 T€
Revenues	(1)	610,357.3	535,307.3
Other operating income	(2)	8,028.1	7,220.0
Changes in inventories of finished goods and work in progress		–890.4	958.1
Other own work capitalised	(2)	287.7	476.1
Cost of materials and cost of purchased services	(3)	–231,930.1	–196,904.0
Personnel expenses	(4)	–195,316.4	–177,814.5
Other operating expenses	(6)	–151,496.1	–120,224.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		39,040.1	49,018.8
Depreciation and amortisation	(5)	–21,601.7	–29,670.5
Earnings before interest and taxes (EBIT)		17,438.4	19,348.3
Income/expense from associates	(7)	111.0	59.4
Financial income	(7)	3,701.5	1,570.1
Financial expenses	(7)	–2,329.2	–4,356.6
Earnings before taxes		18,921.7	16,621.2
Taxes on income	(8), (18)	–9,472.7	–7,706.0
Earnings for the period		9,449.0	8,915.3
Thereof:			
Shareholders of the parent company		10,846.6	10,516.1
Non-controlling interests	(19)	–1,397.6	–1,600.8
Earnings per share (€): undiluted = diluted	(28)	0.65	0.63
Weighted number of outstanding shares		16,760,082	16,760,082

II. Consolidated statement of comprehensive income for financial year 2016

	Note	2016 T€	2015 T€
Profit/loss for the period		9,449.0	8,915.3
Other comprehensive income			
Items of other comprehensive income that are not subsequently reclassified to profit or loss for the period:			
Remeasurement of the net defined benefit liability in accordance with IAS 19	(20)	–663.6	–2,270.8
Associated taxes	(8)	166.6	443.2
		–497.0	–1,827.6
Items of other comprehensive income that are subsequently reclassified to profit or loss for the period as long as certain conditions are met:			
Measurement of „available-for-sale" financial assets, pursuant to IAS 39	(11), (26)	–80.6	211.7
Associated taxes	(8)	20.2	–52.9
Foreign currency translation		5,577.4	–1,017.8
		5,516.9	–859.0
Total of other comprehensive income		5,019.9	–2,686.6
Total comprehensive income		14,468.9	6,228.7
Thereof:			
Shareholders of the parent company		14,965.7	7,842.2
Non-controlling interests	(19)	–496.8	–1,613.6

III. Consolidated balance sheet as at December 31, 2016

ASSETS	Note	As at 31/12/2016 T€	As at 31/12/2015 T€
Goodwill		18,676.7	18,676.7
Other intangible assets		8,796.4	9,076.2
Property, plant and equipment		144,090.0	136,418.3
Investment property		490.0	787.8
Financial investments		3,704.6	3,626.9
Investments in associates		379.4	268.3
Other receivables from third parties		2,548.0	1,665.6
Deferred tax assets		9,994.2	11,652.7
Non-current assets		188,679.2	182,172.5
Inventories		83,136.7	78,773.9
Trade receivables		77,144.5	78,453.4
Receivables from construction contracts		12,026.6	10,470.4
Income tax assets		3,773.3	967.8
Other receivables from third parties		10,346.2	9,102.9
Cash and cash equivalents		99,497.8	91,531.0
Assets held for sale		0.0	1,939.0
Current assets		285,925.1	271,238.3
TOTAL ASSETS		474,604.3	453,410.8

Consolidated balance sheet as at December 31, 2016

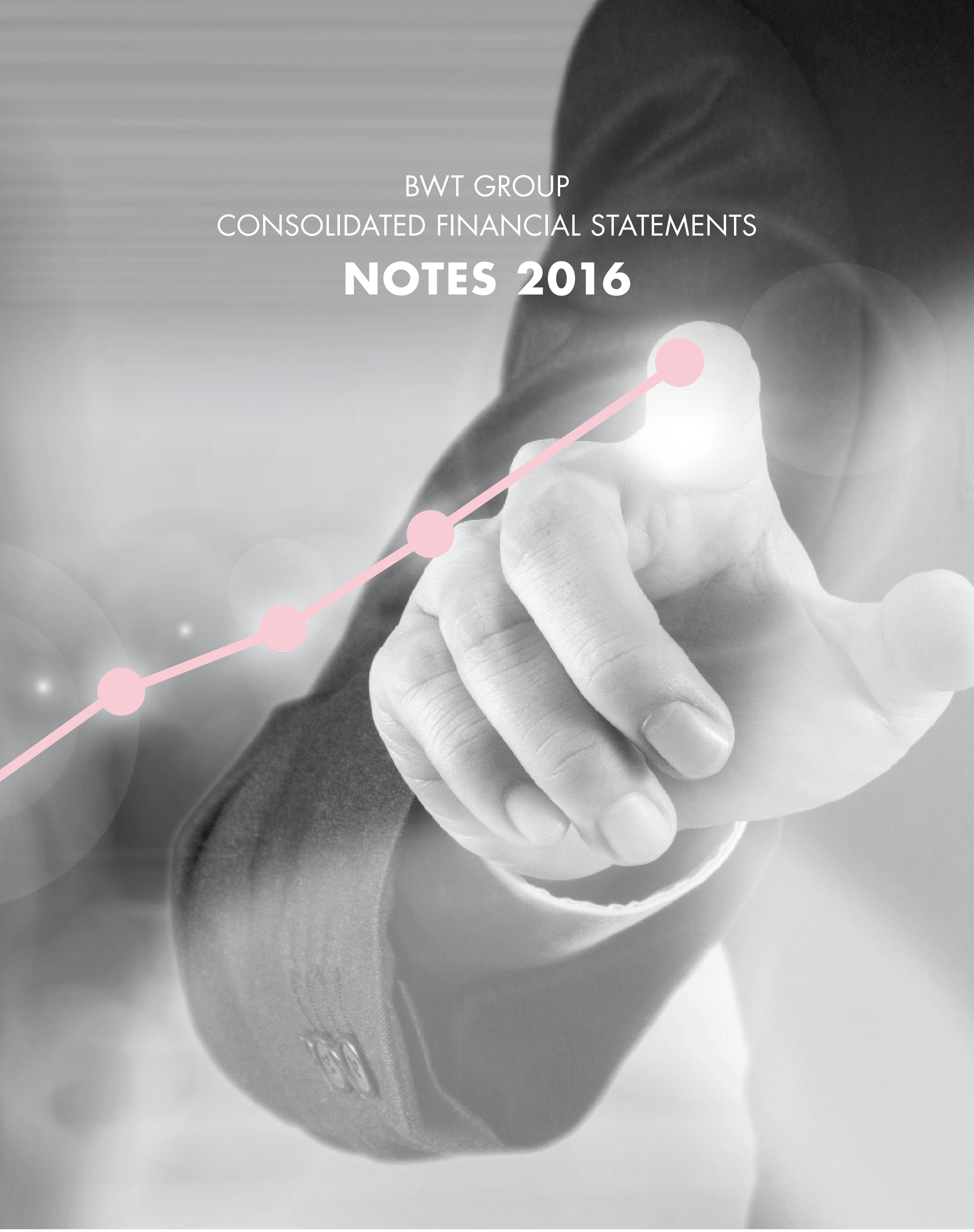
EQUITY and LIABILITIES	Note	As at 31/12/2016 T€	As at 31/12/2015 T€
Share capital		17,833.5	17,833.5
Capital reserves		17,095.8	17,095.8
Retained earnings			
Accumulated earnings		164,097.8	157,100.2
Foreign currency translation		5,350.9	674.4
Available-for-sale financial assets		98.3	158.8
Treasury shares		-19,399.3	–19,399.3
Total equity of shareholders of the parent company		185,076.9	173,463.3
Non-controlling interests	(19)	9,323.4	9,801.8
Equity	(19)	194,400.3	183,265.1
Provisions for social capital	(20)	46,193.8	45,042.8
Deferred tax liabilities	(18)	743.0	331.7
Other provisions	(21)	1,069.2	1,524.3
Interest-bearing financial liabilities	(22), (26)	77,102.8	83,903.9
Other liabilities	(22)	246.1	499.7
Non-current liabilities		125,355.0	131,302.4
Current income tax liabilities		1,819.4	3,081.9
Other provisions	(21)	34,222.9	22,356.2
Interest-bearing financial liabilities	(22), (26)	13,513.1	16,941.3
Trade liabilities	(22)	39,473.3	38,439.3
Liabilities for construction contracts	(15)	11,829.4	6,071.8
Other liabilities	(22)	53,990.9	51,952.9
Current liabilities		154,849.0	138,843.4
TOTAL EQUITY and LIABILITIES		474,604.3	453,410.8

IV. Consolidated statement of cash flows for financial year 2016

		Note	2016 T€	2015 T€
+	Earnings before taxes		18,921.7	16,621.2
–/+	Other interest and similar income / Other interest and similar expense		1,218.9	1,331.4
–	Income from dividends and securities		–1,083.2	–887.3
–/+	Earnings (-profit / +loss) from associates		–111.0	–59.4
+	Interest received		316.7	296.9
–	Interest paid		–1,517.5	–1,609.4
+	Dividends received		873.2	887.3
+	Dividends received from associates		0.0	49.0
–/+	Gain / losses from sale of property, plant and equipment and financial investments		–60.5	21.8
+	Depreciation and amortisation of property, plant and equipment and investment property		18,955.8	16,477.4
+	Depreciation and impairment of intangible assets		2,645.9	13,193.1
+	Impairment losses on financial investments		0.0	0.9
–/+	Increase / decrease of inventories		–4,355.1	2,417.3
–/+	Increase / decrease of receivables		–2,093.2	–7,088.8
+/–	Increase / decrease of trade and other liabilities		6,510.5	7,509.7
+/–	Increase / decrease of provisions		11,886.3	3,182.9
–	Income tax paid		–11,301.1	–6,459.7
	CASH FLOW from operating activities	(24)	40,807.4	45,884.4
–	Payments for property, plant and equipment and intangible assets		–24,855.1	–14,382.1
–	Payments for financial investments		–112.3	0.0
+	Proceeds from disposal of property, plant and equipment, intangible assets and assets held for sale		2,317.1	145.1
–/+	Payments for / proceeds from disposal of subsidiaries and disposed business segments less disposed cash and cash equivalents		–118.9	–1,273.3
–	Payments for acquisition of subsidiaries less acquired cash and cash equivalents		–464.1	–18,271.3
	CASH FLOW from investing activities	(25)	–23,233.4	–33,781.5
–	Dividends paid		–3,352.0	–4,692.8
–	Distributions to non-controlling interests		–231.3	–346.9
+	Proceeds for transactions with non-controlling shareholders		249.6	820.0
+/ –	Increase / decrease in notes payable		13.3	–55.6
+	Increase in financial liabilities		693.9	20,312.7
–	Redemption of financial liabilities		–10,977.7	–6,402.0
	CASH FLOW from financing activities	(26)	–13,604.1	9,635.4
+/–	Cash flow from operating activities		40,807.4	45,884.4
+/–	Cash flow from investing activities		–23,233.4	–33,781.5
+/–	Cash flow from financing activities		–13,604.1	9,635.4
	Change in cash and cash equivalents		3,969.9	21,738.2
+	Opening balance of cash and cash equivalents		91,531.0	70,090.8
+/–	Effects of changes in foreign exchange rates		3,996.9	–298.1
	Closing balance of cash and cash equivalents		99,497.7	91,531.0
	Composition of cash and cash equivalents	(16)		
	Cash-in-hand		113.8	99.2
	Bank balances, cheques		99,384.0	91,431.8
			99,497.8	91,531.0

V. Consolidated changes in equity

	Share capital	Capital reserves	Retained earnings			Treasury shares	Total	Non-controlling interests	Total
			Accumulated earnings	Foreign currency translation	Assets available for sale				
	T€	T€	T€	T€	T€	T€	T€	T€	T€
As at 1/1/2015	17,833.5	17,095.8	153,095.3	1,679.4	0.0	–19,399.3	170,304.6	566.0	170,870.6
Profit/loss for the period	0.0	0.0	10,516.1	0.0	0.0	0.0	10,516.1	–1,600.8	8,915.3
Other comprehensive income	0.0	0.0	–1,827.6	–1,005.0	158.8	0.0	–2,673.9	–12.7	–2,686.6
Total comprehensive income	0.0	0.0	8,688.5	–1,005.0	158.8	0.0	7,842.2	–1,613.6	6,228.7
Dividends	0.0	0.0	–4,692.8	0.0	0.0	0.0	–4,692.8	–346.9	–5,039.7
Sale of investments in subsidiaries without loss of control	0.0	0.0	9.3	0.0	0.0	0.0	9.3	320.7	330.0
Capital increase through non-controlling shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	490.0	490.0
Acquisition of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10,385.5	10,385.5
As at 31/12/2015	17,833.5	17,095.8	157,100.2	674.4	158.8	–19,399.3	173,463.3	9,801.8	183,265.1
Profit/loss for the period	0.0	0.0	10,846.6	0.0	0.0	0.0	10,846.6	–1,397.6	9,449.0
Other comprehensive income	0.0	0.0	–497.0	4,676.5	–60.5	0.0	4,119.0	900.9	5,019.9
Total comprehensive income	0.0	0.0	10,349.7	4,676.5	–60.5	0.0	14,965.7	–496.8	14,468.9
Dividends	0.0	0.0	–3,352.0	0.0	0.0	0.0	–3,352.0	–231.3	–3,583.3
Capital increase through non-controlling shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	249.6	249.6
As at 31/12/2016	17,833.5	17,095.8	164,097.8	5,350.9	98.3	–19,399.3	185,076.9	9,323.4	194,400.3



BWT GROUP

CONSOLIDATED FINANCIAL STATEMENTS

NOTES 2016

VI. Notes 2016

General information

The consolidated financial statements of BWT Aktiengesellschaft (BWT AG) with its registered office in Austria at 5310 Mondsee, Walter-Simmer-Strasse 4 were drawn up in accordance with the International Financial Reporting Standards (IFRSs) as applicable in the EU, with the Management Board being responsible for their preparation. The additional requirements of Section 245a of the Austrian Commercial Code (UGB) were observed.

BWT – Best Water Technology – Group was established in 1990 as the 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.

The BWT Group is represented around the world by 52 consolidated subsidiaries (previous year: 53) and employed 3,326 employees (previous year: 3,276) as at 31 December 2016 based on full-time equivalents.

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 IFRS 10. 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 accordance with IAS 1, the consolidated balance sheet is broken down by maturities. Assets are classified as current if they are expected to be realised or paid within twelve months of the balance sheet date. Liabilities are classified as current if they are expected to be paid within the Group's normal operating cycle or within twelve months of the balance sheet date and the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. These consolidated financial statements are presented in euros, the functional currency of the company. All reporting for financial years 2016 and 2015 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 financial statements are essentially prepared according to the cost method. This does not apply to derivative financial instruments (held for trading purposes) 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 2016, the Group applied the new and revised IFRS standards and interpretations listed below:

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception, adopted on 22 September 2016, to be applied for financial years from 1 January 2016 onwards.
- Amendments to IAS 27 – Equity Method in Separate Financial Statements, adopted on 18 December 2015, to be applied for financial years from 1 January 2016 onwards.
- Amendments to IAS 1 – Disclosure Initiative, adopted on 18 December 2015, to be applied for financial years from 1 January 2016.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, adopted on 2 December 2015, to be applied for financial years from 1 January 2016 onwards.
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations, adopted on 24 November 2015, to be applied for financial years from 1 January 2016 onwards.
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants, adopted on 23 November 2015, to be applied for financial years from 1 January 2016 onwards.

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions, adopted on 17 December 2014, to be applied for financial years from 1 February 2015 onwards.
- Annual "Improvements to IFRSs" 2010–2012, adopted on 17 December 2014, to be applied for financial years from 1 February 2015 onwards.
- Annual "Improvements to IFRSs" 2012–2014, adopted on 15 December 2015, to be applied for financial years from 1 January 2016 onwards.

New and revised IFRS standards and interpretations will be applied starting from the consolidated financial statements that are provided for in the implementing regulation.

The Annual "Improvements to IFRSs" 2010–2012 provide clarifications with respect to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The Annual "Improvements to IFRSs" 2012–2014 provide clarifications with respect to IFRS 5, IFRS 7, IAS 19 and IAS 34.

The newly applied standards and interpretations have no effect on the net assets, financial position and results of operations of the Group's consolidated financial statements as at 31 December 2016.

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:

- IFRS 15 – Revenue from Contracts with Customers, to be applied for financial years from 1 January 2018 onwards.
- IFRS 9 – Financial Instruments, to be applied for financial years from 1 January 2018 onwards.

IFRS 15 concerns all revenue from contracts with customers and provides a standardised five-step model for the recognition of such revenue in the IFRS financial statements. According to this model, income is recognised as the amount expected from the supplier company in return for the transfer of goods and services to customers. By standardising the standards and interpretations previously applied for revenue recognition, IFRS 15 provides a new approach to measuring and recognising revenue.

The standard was adopted by the EU on 22 September 2016, and will be applied for the first time in the financial year starting on 1 January 2018. With respect to first-time application, IFRS 15 provides for the option of either full or modified, retrospective first-time application. The BWT Group is not planning to apply the standard early and will opt for modified, retrospective first-time application as of 1 January 2018.

An initial analysis of the effects has shown that no material changes in accounting are to be expected for the major classes of contracts relating to the sale of standard products. However, some areas of contracts with customers relating to the project and service business could be affected by the amendments. This could result in future changes to the date at which revenue is recognised, given that IFRS 15 prescribes a new procedure for the criteria regarding time-related recognition. Further analyses in this regard will be continued in 2017. We anticipate that this will result in amendments to internal processes within the BWT Group. Requirements regarding disclosures in the notes, in particular, will become more extensive.

IFRS 9 sets out extensive new provisions for recognising, disclosing and measuring financial instruments and related notes, and will replace the current IAS 39. The standard was adopted by the EU on 22 November 2016, and will be applied for the first time in the financial year starting on 1 January 2018. An initial analysis has shown that there could be some minor changes in the number of fund units currently held within the BWT Group. However, these changes are not likely to materially change the overall picture of the consolidated financial statements.

The following provisions were already published by the IASB, but still had not been adopted by the EU at the time these financial statements were released.

- Amendments to IAS 12 – Income Taxes, Recognition of Deferred Tax Assets for Unrealised Losses, published by the IASB on 19 January 2016, IASB mandatory application starting from 1 January 2017.
- Amendments to IAS 7 – Disclosure Initiative, published by the IASB on 29 January 2016, IASB mandatory application starting from 1 January 2017.
- Clarification of IFRS 15 – Revenue from Contracts with Customers, published by the IASB on 12 April 2016, IASB mandatory application starting from 1 January 2018.
- Amendments to IFRS 2 – Clarification of Classification and Measurement of Share Based Payment Transactions, published by the IASB on 20 June 2016, IASB mandatory application starting from 1 January 2018.
- Amendments to IFRS 4 – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts, published by the IASB on 12 September 2016, IASB mandatory application starting from 1 January 2018.
- IFRS 16 – Leases, published by the IASB on 13 January 2016, IASB mandatory application starting from 1 January 2019.
- Annual „Improvements to IFRSs" 2014–2016, published by the IASB on 8 December 2016, IASB mandatory application starting from 1 January 2017 / 1 January 2018.
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration, published by the IASB on 8 December 2016, IASB mandatory application starting from 1 January 2018.
- Amendments to IAS 40 – Transfers of Investment Property, published by the IASB on 8 December 2016, IASB mandatory application starting from 1 January 2018.
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published by the IASB on 11 September 2014, IASB mandatory application postponed indefinitely.

IFRS 16 – Leases, which was newly issued in January 2016, replaces the current leasing standard (IAS 17) and prescribes a new procedure for lease accounting. The former procedure of classifying leases as operating leases and finance leases is no longer applicable. In the future, all leasing and tenancy agreements with the lessee shall essentially be recognised in the balance sheet as a right of use and a lease liability. The potential effects of IFRS 16 are currently being examined. A material effect identified thus far is that assets and liabilities for operating leases relating to buildings, offices and cars will have to be recognised. In the future, depreciation of the right of use and interest expense for the leasing liability will be recognised in the income statement, rather than the previous method of recognising the leasing expense on a straight-line basis. This will result in improved EBITDA and an extension of the balance sheet in conjunction with a lower equity ratio. A reliable estimate of the quantitative effects is not yet possible at the present time. Note 23 shows the obligations arising from existing operating leases as at 31 December 2016.

All other standards and interpretations already published by the IASB will have no material impact on the BWT Group's net assets, financial position and results of operations when they are adopted by the EU.

The Management Board assumes that all of the aforementioned standards will be applied starting from the consolidated financial statements that are provided for by the EU in the implementing regulation.

Scope of consolidation

An overview of the material fully consolidated companies and equity method associates is enclosed in Appendix V.1.; the protective provision pursuant to Section 265 UGB is exercised. As a result of full consolidation, the consolidated financial statements as at 31 December 2016 include the separate financial statements of 49 (previous year: 50) subsidiaries, in addition to BWT AG itself. Barrier Water Filters GmbH, Germany, was deconsolidated in the financial year just ended. As at the balance sheet date, 2 (previous year: 2) companies were consolidated according to the equity method.

The scope of consolidation of companies fully consolidated according to the equity method developed as follows in the financial year:

	2016
As at 1 January	53
Merged in the financial year	–1
As at 31 December	52

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

There are also 100% interests in Waterside Limited, UK, Aqua Dial Limited, UK, Liff Holdings Limited, UK, Bayhall (UK) Limited, UK, and T K Water Systems Limited, UK. T K Water Systems Limited was acquired in 2016 as part of a share deal, but did not hold any material assets and liabilities as at the end of 2016. The BWT Group also exercises control over OOO Plastek, Russia, owing to its indirect ownership interest of 53.3% (previous year: 32.5%) via the direct and indirect interest in AO "BWT BARRIER RUS" (formerly: ZAO METTEM Technologies), Russia. In the first half of 2016, an Italian subsidiary acquired a 100% stake in BWT Dynamics s.r.l, Italy. An additional 100% stake was acquired at the beginning of July, DB Bagatti S.r.l., Italy. All the companies listed above are carried at amortised cost since they have minor significance for the BWT Group and an immaterial impact on the BWT Group's net assets, financial position and results of operations as at 31 December 2016.

BWT AG has control over OOO Meory, Russia, based on special circumstances pursuant to IFRS 10. This is because BWT AG exercises control of the financing in determining and steering relevant activities at the company. Control is exercised over HOH Seychelles Desalination Company Limited, Victoria, (ownership interest 50%) pursuant to IFRS 10 since a related company of the BWT Group holds another 25% interest.

Company disposals / additions in 2016

In the third quarter of 2016, Barrier Water Filters GmbH, Germany, was sold and deconsolidated. The company held no material assets and liabilities, which means that the impact on the consolidated income statement is immaterial.

At the start of September, BWT UK Limited acquired a 100% stake in T K Water Systems Limited, UK, to bolster the water dispenser business. The operating business of this company (water dispenser company) was acquired by BWT UK Limited in the fourth quarter as part of an asset deal. Consequently, T K Water Systems Limited holds no material assets and liabilities as at 31 December 2016. Under the same sale agreement, BWT UK Limited acquired another water dispenser company as part of an asset deal. As a result of the two asset deals, a fair value of T€573.2 was assigned to the ascertainable assets at the time of acquisition, of which T€344.8 in intangible assets, T€157.0 in property, plant and equipment, T€54.0 in trade receivables and T€17.4 in inventories. The fair value of the trade receivables equates to their gross amount. The fair value of the liabilities amounted to T€109.1 including T€16.8 in deferred tax liabilities, T€10.4 in trade payables and T€81.9 in other liabilities. The identifiable net assets at fair value that resulted amounted to T€464.1 and corresponded to the purchase price. As such, no goodwill was recognised. The total purchase price was paid in cash in 2016, and reflected cash flow from the company acquisition. No material transaction costs resulted from the company acquisition. In the last four months leading up to 31 December 2016, the acquired water dispenser business contributed revenues of around T€120 and EBIT of approximately T€-50. Had the acquisition taken place on 1 January 2016, the revenues of the acquired water dispenser business would have come to approximately T€470 and EBIT would have totalled around T€120.

Company disposals in 2015

As at 19 October 2015, BWT AG gained control over the Russian group METTEM Technologies ("BWT BARRIER Group") with the acquisition of a 51% stake in BWT BARRIER Holding GmbH, Mondsee. By acquiring the Austrian holding company, BWT AG gained control over BWT BARRIER Europe GmbH (63.7%), Mondsee, Barrier Water Filters GmbH (51%), Germany, TOO Barrier-Ukraine (63.7%), Ukraine, ZAO METTEM Technologies (63.7%), Russia, OOO Aquasystems (63.7%), Russia, OOO Meory (19.9%), Russia, OOO Dacron (88.0%), Russia, and OOO Plastek (32.5%), Russia. BWT AG has control over OOO Meory based on special circumstances pursuant to IFRS 10. This is because BWT AG exercises control of the financing in determining and steering relevant activities at the company. OOO Plastek is carried at amortised cost since it has little significance for the BWT Group and has an immaterial impact on the BWT Group's net assets, financial position and results of operations.

When the closing agreement was signed, BWT AG became both the holder of a call option and the writer of a put option for an additional 29% of shares (exercise date by 1 January 2023 at the latest) in BWT BARRIER Holding GmbH. The same conditions apply to both options. The earliest exercise date for a maximum of 14.5% is set as 1 January 2019. The remaining 14.5% can be purchased or tendered by 1 January 2021 at the earliest. The basis for the exercise price is a fixed EBIT multiple of certain companies in the BWT BARRIER Group, the actual composition of which will only be determined at the exercise date once the seller has been named. The option conditions also stipulate a minimum purchase price on the basis of pro rata equity at the exercise date, whereby – in the same way as the exercise price – there is an option on the companies to be considered based on the EBIT multiple. No liabilities as defined by IAS 32.23 were recognised in the BWT AG consolidated financial statements in connection with the put option. This is because the fair value of the option could not be reliably determined on the balance sheet date. This was due to the large number of uncertain, outstanding and/or factors outside the BWT Group's control in respect to determining the basis parameters as well as the large number of combination options for calculating the potential future exercise price. Major sources of estimation uncertainty originate in particular from the number of companies that could be considered in determining the exercise price once the respective option holder has been chosen, the future EUR/RUB exchange rate, the long-term EBIT development of the relevant companies, the setting of the future financing strategy and the dividend policy.

Acquiring the BWT BARRIER Group will strengthen the Point of Use Consumer business of the BWT Group. The company also anticipates that synergy effects will support the development of the "BWT – For You and Planet Blue" brand, especially in the Point of Use Consumer business. At the same time, the acquisition is also helping BWT to expand its presence in the Point of Use Consumer business in Eastern European countries and Asia.

The date of acquisition was determined as 31 October 2015 since any deviations from 19 October 2015 are estimated as immaterial. Within the scope of first-time consolidation, the Group has decided to carry non-controlling interests at fair value.

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

Assets	Fair value at the time of acquisition (BWT BARRIER Group) T€
Property, plant and equipment	7,985.0
Other receivables from third parties	659.0
Deferred tax assets	1,105.6
Non-current assets	9,749.5
Inventories	8,930.3
Trade receivables	11,222.5
Income tax assets	93.1
Other receivables from third parties	457.0
Cash and cash equivalents	2,125.7
Current assets	22,828.6
TOTAL	32,578.1

Liabilities	Fair value at the time of acquisition (BWT BARRIER Group) T€
Deferred tax liabilities	79.1
Interest-bearing financial liabilities	112.8
Non-current liabilities	191.9
Current income tax liabilities	253.5
Other provisions	1,038.8
Interest-bearing financial liabilities	432.4
Trade liabilities	1,247.1
Other liabilities	1,857.2
Current liabilities	4,829.0
TOTAL	5,020.9
Total identifiable net assets at fair value	27,557.2

The fair value of trade receivables and other receivables amounts to T€12,338.5. The gross amount of trade receivables and other receivables amounts to T€16,195.1. The valuation allowance for provisionally uncollectable trade receivables and other receivables amounts to T€3,856.6. No warranties and guarantees that have to be recognised pursuant to IFRS 3 were assumed within the scope of the acquisition.

Before the acquisition date, the BWT Group granted financing loans to BWT BARRIER Holding GmbH, Mondsee, and OOO Meory, Russia. The loans were measured at fair value on the date of acquisition of the BWT BARRIER Group and represent an outflow of cash from the acquisition.

The amount presented in cash flow from investing activities under the item "Payments for acquisition of subsidiaries less acquired cash and cash equivalents" mainly comprises the total purchase price less acquired cash and cash equivalents. The total purchase price (€20.2 million) comprises the direct payment of the purchase price (€8.0 million), the shares already held in ZAO METTEM Technologies, Russia, and OOO Dacron, Russia, (fair value at the time of first-time consolidation €7.1 million) and loans issued by the BWT Group (€5.1 million). There are no effects in the income statement arising from the fair value measurement of shares already held. Operating cash flow also includes transaction costs of T€404.0. These are recognised in the consolidated income statement under "Other operating expenses".

Non-controlling interests were recognised on the acquisition date and measured by reference to their fair value. The fair value represents the minority interest of each company in the identified assets at fair value, and at the time of first-time consolidation amounts to T€10,085.5.

Goodwill arising from the acquisition includes the value of expected synergies as well as the revenue growth, future market developments and existing workforce of the BWT BARRIER Group. The goodwill arising from the company acquisition amounts to T€2,987.3. It was subjected to an impairment test in accordance with IAS 36 and written down in full as at 31 December 2015 due to a changed situation on the market and new estimates of financial performance (see Note 5 and Note 9). Impairment losses for goodwill are not deductible for tax purposes.

In the two months leading up to 31 December 2015, the BWT BARRIER Group contributed revenues of T€7,352.8 and earnings for the period of T€-3,865.4, which includes impairment losses for goodwill of T€-2,987.3. Of this amount, T€-1,623.3 is allocated to non-controlling shareholders.

Had the acquisition taken place on 1 January 2015, the revenues of the BWT BARRIER Group would have come to approximately €40 million (translated using the Group's average rate). It was assumed when calculating these amounts that the provisionally measured adjustments to fair value, which were made at the time of acquisition, would also have been valid had the acquisition taken place on 1 January 2015.

Application of the BWT Group's accounting and valuation principles to determine the profit of the BWT BARRIER Group since the start of the reporting period was not carried out retrospectively as at 1 January 2015. This is because data was not collected before the date of acquisition in a way that would have allowed retrospective application of the IFRS accounting policies. Data not collected included information on the accrual basis of income and expenses, information on employee benefit liabilities and information for necessary estimates.

Consolidation method

Business combinations

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. The acquisition date is the date on which control of the Group is transferred. The Group controls a company if it is subject to variable returns from its involvement in the company or if it possesses rights to such and has the ability to influence these returns by virtue of the control it retains over the 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 and non-controlling interests over the identifiable assets acquired and the liabilities assumed of the group. The option of either the full goodwill method or the partial goodwill method is newly exercised for each business combination. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the consolidated income statement.

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 either to a cash-generating unit (CGU) or to a group of CGUs 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 CGUs.

Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a company if it is subject to variable returns from its involvement in the company or if it possesses rights to such and has the ability to influence these returns by virtue of the control it retains over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is gained until the date on which control ceases. When the Group loses control, it derecognises the assets and liabilities of the subsidiary, non-controlling interests and other components of owner's equity in the subsidiary. Any surplus or loss resulting from the loss of control is recognised in profit or loss.

Investments in associates (investments accounted for using the equity method)

Associates are entities for which the Group can exercise a significant influence over their financial and operating policies without controlling them. Investments in associates are accounted for using the equity method and usually recognised at cost. If inclusion under the equity method is due to the loss of control in a previous subsidiary, the residual interest at the time of transitional consolidation is measured at fair value. Subsequently, the retained interest is accounted for in the consolidated financial statements using the equity method (see Note 12).

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income in the entity, which is accounted for using the equity method from the date on which the significant influence is gained until the date on which the significant influence ceases.

Transactions eliminated during consolidation

Intra-Group receivables and liabilities, expenses and income, as well as interim results, are fully eliminated in the consolidated financial statements.

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 2016. Items in the consolidated income statement related to foreign consolidated companies are translated using average exchange rates for the period, with the exception of depreciation/amortisation and impairments. Intra-Group dividends are recognised at the payment rate. Differences from currency translation are recognised in other comprehensive income. If the foreign operation is not a subsidiary fully owned by the parent company, the corresponding share of the exchange difference is assigned to the non-controlling interest. 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:

	Period-end exchange rate in €		Average rate for the year in €	
	31/12/2016	31/12/2015	2016	2015
Swiss franc	1.07	1.08	1.09	1.06
Polish zloty	4.41	4.26	4.37	4.18
Hungarian forint	309.83	315.98	311.91	309.59
Czech krone	27.02	27.02	27.04	27.27
Swedish krone	9.55	9.19	9.47	9.34
Danish krone	7.43	7.46	7.45	7.46
Norwegian krone	9.09	9.60	9.26	8.99
Chinese renminbi	7.32	7.06	7.34	6.95
Pound sterling	0.86	0.73	0.82	0.72
Ukrainian hryvnia	28.64	26.19	28.43	24.37
Russian rouble	64.30	80.67	73.31	68.77
Seychellois rupee	14.18	14.38	14.69	14.67

ACCOUNTING AND VALUATION PRINCIPLES

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognised 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. 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 and intangible assets under development are essentially tested for impairment once a year. The higher of the two values (recoverable amount) of net selling price (if available) and value in use, which is calculated as the cash equivalent of future cash inflows and outflows, is compared with the existing carrying amount written down thus far. If it is not possible to carry out an estimation 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. CGUs are essentially legal entities. If the carrying amount is higher, it is written down to the recoverable amount. The impairment is recognised under “Depreciation, amortisation and impairment” in the year in which the event occurs. 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. It is recognised under “Other operating income”. No impairment losses were recognised in the BWT Group’s consolidated financial statements – as in the previous year. 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 after 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 expensed as value impairment.

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. Measurement of self-developed intangible assets is carried out at production cost, less depreciation and impairment. 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. For the calculation of depreciation rates, the useful life periods adopted were unchanged.

Useful life in years	From	To
Intangible assets		
Other intangible assets	3	15
Development costs	5	10
Property, plant and equipment		
Buildings including investments in third-party buildings	10	50
Technical equipment and machinery	3	15
Factory and office equipment	3	12

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 rental contracts are capitalised at the current value of the capitalised leasing or rental instalments at the time of acquisition or at their lower fair value, 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.

Investment property

Investment properties (see Note 10) are held to earn rentals or for capital appreciation and are not intended for use in the production of suppliers, the provision of services or for administrative purposes.

Investment properties are measured using the cost method, less any cumulative depreciation and impairment. Depreciation is written off on a straight-line basis based on a useful life of 20 – 50 years. The fair value of investment properties is determined using internal calculations.

Financial investments

Financial investments (see Note 11) are not held for trading purposes. Securities and investments reported under “Financial investments” are recognised as available for sale. Financial 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.

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 and investments are their stock exchange prices as at the balance sheet date. Value impairments are recognised in the consolidated income statement, and gains in relation to equity instruments are reported under “Other comprehensive income” where the reasons no longer apply. 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.

Investments in associates

Investments in associates are accounted for using the equity method. The consolidated income statement contains the Group’s share in the results of operations of the associate. If the Group’s share in the losses exceeds the value of its investment in an associate, the carrying amount of this investment, including all long-term interests attributable to it, are reduced to zero. Further losses are no longer recognised, except to the extent that the Group has made an obligation or payments on behalf of the investee.

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 a lower net selling price.

Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In particular, these include trade receivables as well as other loans granted and receivables. Trade receivables as well as other current receivables carried as financial instruments are recognised at fair value for the first time. The subsequent measurement 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 material construction contracts for which it is possible to reliably estimate the degree of completion, total costs and total revenues, profit is realised using the percentage-of-completion method. When the percentage-of-completion method is applied, a realisation of profits 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-in-hand, bank balances, short-term deposits with an original term of less than three months and only a minor risk of fluctuations in value. For the purpose of the consolidated cash flow statement, the aforementioned payment means are included in “Composition of cash and cash equivalents”.

Assets held for sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is only deemed to be fulfilled if the sale is highly probable and the non-current asset is available for immediate sale in its current state. Non-current assets that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. There is no continuation of depreciation.

Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and that the company will comply with the conditions attached to them. Resource-related grants are recognised as income over the period for which the expense also occurred. The BWT Group mainly receives grants for research and employees. These grants are recognised under “Other operating income”. 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.

Treasury shares

Treasury shares purchased by the BWT Group are recognised at cost and deducted from equity. The purchase, sale, issue or cancellation of an entity's own shares is recognised outside profit or loss.

Employee benefits

At the Austrian BWT Group companies and at foreign consolidated companies in Germany, Netherland 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 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, remeasurements of the net defined benefit liability in the case of pension provisions, provisions for similar obligations and severance pay obligations are recognised under "Other comprehensive income" in the consolidated statement of comprehensive income, whereas provisions for long-service bonus obligations are recognised in profit or loss under "Personnel expenses".

Defined contribution plans exist at various consolidated companies on the basis of legal obligations. These mainly relate to the company employee pension scheme (MVK) in Austria and defined contribution pension plans in the countries of the Scandinavian and British subsidiaries. For defined contribution plans, the contributions are recognised as expenses in the period for which they are paid.

Further information on employee benefits in accordance with IAS 19 can be found in Note 4 and Note 20.

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

Financial liabilities are initially measured at fair value. The subsequent measurement is at amortised cost, applying the effective interest rate method.

Callable or restricted ownership interests in subsidiaries with put options, which are held by non-controlling shareholders, represent financial liabilities for the BWT Group. These liabilities are recognised for the first time at the fair value of the repurchase amount in accordance with IAS 32 and are subsequently measured in accordance with IAS 39. As long as the non-controlling shareholders are currently the beneficial owners of these shares, consolidation is on the basis of the shares actually held. The non-controlling shares included in the option are still shown under "Non-controlling shares". Liabilities from callable, non-controlling shares are recognised for the first time against BWT Group equity attributable to non-controlling shareholders.

Derivative financial instruments

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

Rental income is recognised on an accrual basis in accordance with the relevant agreement.

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. As at 31 December 2016, a taxable group of companies as defined in Article 9 of the Austrian Corporation Tax Act (KStG) exists comprising the Group companies in Austria, 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 the 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 if there are sufficient taxable differences or expected taxable profits that can be offset against the tax advantage. 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 the 2016 financial year are based on the following tax rates:

Country	Tax rate	Country	Tax rate
Austria	25%	Great Britain	20%
Germany	28%	Netherland	20%
France	34%	Hungary	9%
Italy	27,5%	Ukraine	18%
Spain	25%	Czech Republic	19%
Denmark	22%	Poland	19%
Sweden	22%	China	25%
Norway	24%	Russia	20%
Finland	20%	Belgium	34%
Switzerland	21%		

The following tax rates were applied for the 2015 financial year:

Country	Tax rate	Country	Tax rate
Austria	25%	Great Britain	20%
Germany	28%	Hungary	10%
France	34%	Ukraine	18%
Italy	28%–31%	Czech Republic	19%
Spain	30%	Poland	19%
Denmark	22%	China	25%
Sweden	22%	Russia	20%
Norway	25%	Belgium	34%
Switzerland	21%		

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 that 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. The basic principle of the “true and fair view” is still fully met when estimates are used.

Estimates and underlying assumptions are examined on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimates are revised and in all related future periods.

In particular, there are sources of estimation uncertainty with respect to determination of useful value in impairment tests (see Note 9) and the deferred tax liabilities (see Note 8 and Note 18), due to deviations from expected income in the future, the discount rate and the growth rate. The recognised estimates are made on a going concern basis, are based on past experience and take into account remaining uncertainty in an appropriate manner. 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 18). 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 estimates of management regarding pricing, market trends and marketability are necessary to establish the amount of the values recognised (see Note 13). In the case of receivables, assumptions regarding the probability of default are necessary (see Note 14). The BWT Group takes into account indications of impairment in relation to trade receivables both at the level of the single asset and at a portfolio level. Impairment that is assessed on a portfolio basis is based on the maturities of the amounts receivable and a country-specific risk, which is determined on the basis of external credit rating agencies.

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 the POC receivables position or, in the case of part payments, POC liabilities (see Note 15).

The categorisation of assets held for sale (see Note 17) requires an estimate as to whether the requirements for recognition in current assets have been met.

Furthermore, the preparation of the consolidated financial statements requires the determination of future developments in relation to the recognition of provisions. 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 20). The discount rate estimate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds in accordance with IAS 19. This is determined depending on the maturity date of the obligation (average discount rate in relation to duration) per currency unit (EUR and CHF). Future salary and pension increases are calculated on the basis of historical data, taking into account estimates of future inflation rates and net wage trends. Biometric data follows general patterns; there is no company-specific modification.

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 21).

Furthermore, warranties and guarantees assumed and ongoing legal disputes require judgements and estimates with regard to the impact of the obligations and the probability of them occurring (see Note 7, Note 21 and Note 23).

Moreover, the classification of financial instruments also requires judgement (see Note 26). The BWT Group determines the classification at initial recognition, using comparative financial instruments and medium-term strategic company planning as a guideline.

The Management Board also exercises its judgement with regard to the scope of consolidation. This mainly relates to determining whether the Group has control or not (see also information on the scope of consolidation) and whether it has a significant influence over an interest (see Note 11).

In the scope of the 2015 acquisition of the BWT BARRIER Group, estimates were made in connection with the existence and measurement of the acquired assets at fair value (see also notes on company additions). No liabilities as defined by IAS 32.23 were recognised in the BWT AG consolidated financial statements in connection with this option. This is because the fair value of the option could not be determined on the balance sheet date (see notes on accounting policies, section on liabilities).

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 were recognised as operating leases.

Measuring fair value

A number of accounting methods and disclosures of the Group require the measurement of fair value for financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is therefore derived from market information available at the balance sheet date. Due to varying influencing factors, the values presented in these consolidated financial statements may differ from values realised later. All material fair value disclosures (Level 1 to Level 3) are monitored on an ongoing basis by a measurement team that reports directly to the Chief Financial Officer. Input parameters that are not based on observable market data are regularly re-estimated.

Observable parameters are used in the Group, where possible, to measure fair value. The Group uses the following hierarchy to determine and disclose the fair value depending on the measurement 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.

Transfers between the levels of the fair value hierarchy are reported at the end of the period in which the change occurred.

Further information on assumptions made in the measurement of fair value can be found in Note 10 (Investment property), Note 11 (Financial investments) and Note 26 (Financial instruments).

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

The elimination column contains the consolidation entries for the individual segments. The internal management information system is based on the same values, which are used to prepare the consolidated financial statements. Other equity interests and net income/expense from associates are not assigned to specific segments as they are overseen at Group level.

Transactions with external customers are correspondingly assigned to the registered office of the selling company. No more than 10% of total revenues are generated with any external customer.

The Austria / Germany segment generated total revenues of €227.1 million in 2016, which equates to an increase of 9.1%. This increase is mainly attributable to increased revenues in pharma business and growth in household water softening systems at BWT Germany and Austria. The France / Benelux / UK segment achieved revenue growth of €3.4 million (+2.6%), which can be attributed predominantly to increased revenues in project business (+25.3%) at the French subsidiary. EUR/GBP exchange rate changes had a negative impact on revenue growth in this segment. The Scandinavia segment recorded an increase in revenues in pharma and service business. Overall, Scandinavia contributed €65.2 million to the Group's consolidated revenues compared with €59.5 million in the previous year.

The Italy / Spain segment reported a revenues upturn of 15.2%. Total revenues came to €38.2 million. In this segment, BWT Italy recorded pleasing revenue development in the domestic technology sector, and BWT Spain posted growth in pharma business. Revenues in the Switzerland / Others segment benefited primarily from the acquisition in Russia, which was finalised in October 2015, and amounted to €146.7 million (previous year: €104.8 million). This represents an increase of 40.0%, which was due chiefly to the full-year inclusion of the BWT BARRIER Group in 2016. Unlike the previous year, the EUR/CHF exchange rate had a negative effect on segment revenues in 2016.

Settlements between the individual segments are normally effected in accordance with the arm's length principle. Group products and services are distributed across all segments. BWT offers state-of-the-art water treatment systems and services for drinking water; pharmaceutical and process water; heating water; boiler water; cooling water and water for air-conditioning systems; and swimming pool water. With table water filters (BWT Magnesium Mineralizer) 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 and water dispensers; as well as reverse osmosis and UV devices, BWT offers innovative and compact Point of Use products to private and professional consumers for the highest water quality.

2016	Austria/ Germany	France/ Benelux/UK	Scandinavia	Italy/Spain	Switzerland/ Others	Elimination	Total
	T€	T€	T€	T€	T€	T€	T€
External revenues	227,092.4	133,134.4	65,209.5	38,172.1	146,748.9		610,357.3
Internal revenues	27,299.0	8,036.3	1,618.7	163.9	13,506.5	–50,624.3	0.0
Total	254,391.3	141,170.7	66,828.2	38,336.0	160,255.4	–50,624.3	610,357.3
Segment earnings (EBIT)	–11,690.6	6,657.2	10,845.7	2,357.1	9,269.1		17,438.4
Segment assets	248,054.1	61,282.6	34,424.0	25,797.4	131,514.1	–26,467.8	474,604.3
Segment liabilities	162,515.4	38,306.3	18,734.1	18,381.0	68,735.0	–26,467.8	280,204.0
Investments	8,701.7	2,353.8	3,736.2	3,328.8	8,999.6		27,120.1
Depreciation / amortisation	–9,169.2	–2,209.3	–740.4	–181.4	–3,817.0		–16,117.3
Impairment losses	–4,915.5	0.0	0.0	0.0	–568.8		–5,484.4
of which intangible assets	–120.0	0.0	0.0	0.0	0.0		–120.0
of which property, plant and equipment	–4,795.5	0.0	0.0	0.0	–568.8		–5,364.3

2015	Austria/ Germany T€	France/ Benelux/UK T€	Scandinavia T€	Italy/Spain T€	Switzerland/ Others T€	Elimination T€	Total T€
External revenues	208,098.7	129,723.5	59,511.5	33,147.6	104,826.1		535,307.3
Internal revenues	22,754.3	6,156.2	934.3	102.0	8,815.2	–38,762.0	0.0
Total	230,853.0	135,879.7	60,445.8	33,249.6	113,641.3	–38,762.0	535,307.3
Segment earnings (EBIT)	1,109.9	275.2	9,377.3	1,018.1	7,567.8		19,348.3
Segment assets	252,679.6	58,926.2	27,288.6	21,454.3	125,308.2	–32,246.0	453,410.8
Segment liabilities	170,605.7	37,854.7	12,667.8	14,293.1	66,970.5	–32,246.0	270,145.8
Investments	9,055.1	2,244.9	658.7	610.6	1,875.0		14,444.4
Depreciation / amortisation	–8,855.6	–2,684.2	–655.1	–131.2	–2,982.7		–15,308.9
Impairment losses	–3,140.9	–5,862.1	0.0	0.0	–5,358.7		–14,361.6
of which goodwill	0.0	–4,819.9	0.0	0.0	–4,278.6		–9,098.5
of which intangible assets	0.0	–1,042.2	0.0	0.0			–1,042.2
of which property, plant and equipment	–3,140.9	0.0	0.0	0.0	–1,080.1		–4,221.0

Geographical information

The following geographical information shows revenues and non-current assets (goodwill; intangible assets; property, plant and equipment; and investment property) allocated domestically and internationally. Revenues were allocated depending on the geographical location of the customers, and segment assets were broken down according to the geographical location of the assets.

Revenue from sales	2016 T€	2015 T€
Domestic:	54,625.3	53,389.3
International:		
Germany	135,758.8	122,816.4
France	95,602.7	91,828.0
Switzerland	68,285.5	65,433.0
Others	256,085.1	201,840.7
	610,357.3	535,307.3

Non-current assets – fixed assets	31/12/2016 T€	31/12/2015 T€
Domestic:	61,366.6	64,568.1
International:		
Germany	32,834.6	35,560.1
Switzerland	32,954.9	33,748.4
Others	44,897.0	31,082.4
	172,053.1	164,959.0

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

NOTE 1: Revenues

The BWT Group's consolidated revenues increased year on year by €75.1 million to €610.4 million. This equates to an increase of 14.0%. Adjusted for changes to the Group structure (particularly on account of the BWT BARRIER Group, which has been consolidated since October 2015), revenue growth was 8.1%.

Revenues from Point of Entry products rose by 10.6% from €341.4 million in the previous year to €377.6 million. This product segment thus accounted for 61.9% of the BWT Group's consolidated revenues (previous year: 63.8%). The Point of Use business, which is critical with respect to further strengthening the BWT brand, again achieved stronger growth rates. At €108.6 million, the previous year's revenues were exceeded by 46.8%, owing primarily to the acquisition of the BWT BARRIER Group, thereby increasing the percentage of total revenues to 17.8% (previous year: 13.8%). The BWT Group generated €124.1 million in revenues in the service and spare parts business in 2016, surpassing the previous year's figure (€119.9 million) by 3.6%. This segment thus contributed 20.3% (previous year: 22.4%) of the Group's consolidated revenues.

NOTE 2: Other operating income and own work capitalised

Other operating income is as follows:

	2016 T€	2015 T€
Income from disposal of property, plant and equipment	96.8	75.3
Rental/leasing and licence income	1,500.4	1,312.5
Income from bonus/commission agreements	2,629.7	2,013.8
Income from insurance damages	176.3	100.7
Income from further charging of transportation costs	1,515.5	1,344.3
Income from charging of services	1,300.9	1,653.0
Income from written off receivables / valuation allowances	72.1	0.0
Other income	736.4	720.5
	8,028.1	7,220.0

The item "Income from bonus/commission agreements" includes research and development grants of T€1,048.3 (previous year: T€441.6) and grants for employees of T€848.9 (previous year: T€927.0) as well as other grants of T€32.5 (previous year: T€0.0).

The item "Other income" also includes proceeds from the sale of raw materials.

Own work capitalised amounting to T€287.7 (previous year: T€476.1) principally consists of development costs to be capitalised according to IFRS.

NOTE 3: Cost of materials

	2016 T€	2015 T€
Material expenses	212.492,3	180.873,3
Cost of purchased services	19.437,8	16.030,7
	231.930,1	196.904,0

NOTE 4: Personnel expenses

	2016 T€	2015 T€
Wages and salaries	151,200.3	137,960.6
Expenses for severance payments and pensions	6,256.0	5,250.9
Expenses for statutory social security contributions	32,728.2	30,693.2
Other social expenses	5,131.9	3,909.8
	195,316.4	177,814.5

Defined contribution employee benefits expenses in the 2016 financial year amounted to T€1,959.1 (previous year: T€1,841.2).

The average number of employees developed as follows:

	2016	2015
White collar workers	2,454	2,059
Blue collar workers	811	663
Apprentices	27	31
	3,292	2,753

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

NOTE 5: Depreciation and amortisation and impairment losses of intangible assets; property, plant and equipment; and investment property

	2016 T€	2015 T€
Depreciation/amortisation of property, plant and equipment and of other intangible assets	16,117.3	15,308.9
Impairment losses	5,484.4	14,361.6
	21,601.7	29,670.5

Impairment losses in 2016 related primarily to impairment losses on property, plant and equipment (T€5,364.4). In the Austria / Germany segment, production facilities with a carrying amount of T€894.0 were fully impaired. Impairment of T€3,221.0 was taken on another production facility due to the uncertain market situation and the uncertain results of operations as a result. The recoverable value amounted to T€6,917.0 (WACC after taxes 4.0% – 4.4%). In the Switzerland / Others segment, impairment of T€568.8 was recognised for a property.

The recoverable amount totalled T€4,917.6 according to the underlying property valuation. In the previous year, impairment losses related to goodwill impairment of T€9,098.5 and impairment losses on property, plant and equipment and other intangible assets of T€5,263.2.

NOTE 6: Other operating expenses

	2016 T€	2015 T€
Advertising expenses	46,313.1	30,500.6
Fleet and travel expenses, entertainment costs	16,754.2	16,008.3
Freight and warehousing	14,512.6	13,294.2
External staff	8,585.6	6,252.8
Rental and leasing expenses	12,783.4	12,682.7
Consultancy costs	7,750.3	4,022.4
Office, postal and telephone expenses	4,352.6	4,143.9
Commissions	7,295.8	6,535.7
R&D expenditure and certification costs	4,145.0	2,303.0
Insurance	2,515.9	2,000.4
Maintenance	7,540.7	6,816.0
Energy and fuel	2,931.9	2,896.2
Risks on receivables	3,528.7	1,455.3
Other taxes and fees	3,234.6	3,647.3
Cleaning expenses	1,586.5	1,570.9
Banking charges, certification costs and other third-party costs	629.5	593.5
Exchange rate differences	322.3	349.9
Others	6,713.3	5,151.1
	151,496.1	120,224.1

In the 2016 financial year, expenditure on services provided by the Group auditors Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Austria, amounted to T€349.8 (previous year: T€215.4). Of this amount, T€142.9 (previous year: T€139.8) related to auditing costs and T€206.9 (previous year: T€75.6) to other services.

As in the previous year, other expenses mainly included expenditure relating to loss events and licence expenses.

NOTE 7: Financial result

	2016 T€	2015 T€
Net income/expense (-loss/+profit) from associates	111,0	59,4
Profit distributions from equity interests	1,075.5	863.1
Income from other securities	7.7	24.2
Other interest and similar income	335.4	311.1
Other financial income	2,283.0	371.7
Financial income	3,701.5	1,570.1
Expenses from equity interests	14.6	0.0
Impairment losses of financial investments	0.0	0.9
Interest expense for social capital pursuant to IAS 19	760.3	754.6
Interest and similar expenses	1,395.6	1,707.4
Other financial expenses	158.7	1,893.7
Financial expenses	2,329.2	4,356.6

“Net income/expense from associates” comprises pro rata earnings for the period from companies recognised according to the equity method. The recognised pro rata earnings for the period relate wholly to earnings from continuing operations.

Financial income includes interest, dividends and similar income arising from the investing of financial resources and from investing in financial assets. The change from the previous year is due to higher dividend payments of investees, income from the reversal of provisions for extended liabilities from company disposals and income from the measurement of financial liabilities.

Under “Financial income”, a principal amount of T€1,083.2 (previous year: T€954.8) is entered in the “available for sale” measurement category, T€306.9 in the “held for trading purposes” measurement category and T€548.1 (previous year: T€204.1) in the “loans and receivables” measurement category. The “liabilities at amortised cost” measurement category includes an amount of T€857.3 (previous year: T€0.0).

“Financial expenses” includes interest incurred on loans and expenses similar to interest as well as interest related to social capital provisions. Expenses from equity interests contain losses from company disposals and the disposal of operating business segments, including obligations for the BWT Group that have already resulted from these disposals as well as obligations that are expected in the future. “Other financial expenses” includes expenses from the measurement of financial liabilities and derivatives for non-current assets, as well as expenses for issued liabilities.

Under “Financial expenses”, an amount of T€1,367.5 (previous year: T€2,522.3) is entered in the “liabilities at amortised cost” measurement category. “Financial expenses” does not include any expenses in the “available for sale” measurement category (previous year: T€0.9), nor does it include any expenses in the “held for trading purposes” measurement category (previous year: T€306.9).

NOTE 8: Taxes on income

The effective tax rate was 50.1% for the 2016 financial year and 46.4% for the 2015 financial year.

The main elements of income tax expense are as follows:

	2016 T€	2015 T€
Actual income taxes:		
Actual tax expense	5,959.1	9,408.0
Tax expense for previous years	–14.6	–130.0
Deferred income taxes:		
Changes in tax assets and liabilities	3,528.2	–1,572.0
	9,472.7	7,706.0

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

	2016 T€	2015 T€
Deferred income taxes recorded in other comprehensive income:		
Remeasurement of the net defined benefit liability in accordance with IAS 19	–166.6	–443.2
Deferred income for taxes on treasury shares	–1,071.8	0.0
Measurement of "available-for-sale" financial assets in accordance with IAS 39	–20.2	52.9
Actual income taxes recorded in other comprehensive income:		
Actual expenses for taxes on treasury shares	1,071.8	0.0
	–186.7	–390.2

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:

	2016 T€	2015 T€
Earnings before taxes	18,921.7	16,621.2
Income tax expense at tax rate of 25% (previous year: 25%)	4,730.4	4,155.3
Different foreign tax rates	–254.5	–499.2
Tax-free income from equity interests	–264.6	–230.3
Effects of local tax rate changes	–17.9	–11.1
Effect of non-recognised loss carryforwards	1,162.2	728.4
Utilisation of previously non-recognised loss carryforwards	–67.1	–63.0
Adjustment of capitalised loss carryforwards	3,766.8	88.0
Minimum tax expense for previous years	–372.3	87.2
Goodwill impairment	0.0	3,010.4
Permanent differences	789.7	440.3
Effective tax liability	9,472.7	7,706.0
Effective tax rate	50.1%	46.4%

The item "permanent differences" mainly relates to non-deductible expenses.

NOTES TO THE CONSOLIDATED BALANCE SHEET

NOTE 9: Intangible assets and property, plant and equipment

A detailed breakdown of the developments in this regard is presented in the statement of changes in assets, which forms an integral part of these consolidated financial statements. The effects of changes within the scope of consolidated companies and changes resulting from disposals and additions of operative businesses 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.

Goodwill impairment tests
Goodwill is allocated to the CGUs that are expected to profit from the synergies arising from the business combination and that represent the lowest level at which goodwill is monitored for internal management purposes.

In testing for recoverability, the recoverable value of the CGUs or individual companies is determined based on the calculation of useful life, applying cash flow forecasts.

Cash flow forecasts are based on financial plans prepared by the management for a period of three years, which are based on future cash flows expected to arise from internal and external sources. Financial plans are prepared taking into account past deviations between target and actual values. These plans take into account average growth over the past few years, strategic revenues volumes and changes in prices. Planned investments, product-specific costs and other general overheads are included once they have been weighted with probabilities. Regulatory developments are also factored in for the respective CGUs. Cash flows occurring after the planning period are extrapolated for the CGUs assuming expected average long-term industry growth rates in consideration of the currency risk of 1.0% (previous year: between 1.0% and 2.5%).

The main goodwill for the financial year relates to BWT Aqua in Switzerland in the amount of T€10,904.3 (previous year: T€10,904.3) and CGU Pharma (P&LS) in the amount of T€6,835.4 (previous year: T€6,835.4). The discount rates after taxes applied for cash flow forecasts are 4.62% for BWT Aqua (previous year: 6.39%) and 5.53% for CGU Pharma (P&LS) (previous year: 6.95%). The discount rate applied for the terminal value is 3.62% (previous year: 5.39%) / 4.53% (previous year: 5.95%) for each CGU respectively. The after-tax discount rate is calculated on the basis of current market data for comparable companies operating in the same industry.

There are sources of estimation uncertainty in respect to the assumptions made relating to revenues and cash flow forecasts, primarily resulting from the effects of changes such as the growth rate, the development of profit margins, changes in working capital, investment plans and the discount rate. Potential effects resulting from the aforementioned changes to material assumptions were revised by 10% for 2017–2019 by reducing EBITs while retaining all other parameters. This indicated that the carrying amounts are still covered and there is no indication of impairment. This is based on the assumption that by reducing EBIT in the scenario analysis, all potential changes to parameters (such as changes to purchasing and selling prices, cost estimates etc.) are covered.

An additional sensitivity analysis with an increase in the discount rate of 50 basis points would also not give any indication of further goodwill impairment, indicating that the carrying amounts are covered.

For explanations of the impairment values recognised, please see Note 5.

Development costs
Development costs are 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. Expenses for research and development amounted to T€13,308.7 (previous year: T€10,567.6). Development costs of T€287.7 were also capitalised (previous year: T€454.2).

Other information
The balance sheet item “land and buildings” comprises property with a value of T€28,465.1 (previous year: T€23,474.5).

Mortgage collateral amounts to T€11,145.8 (previous year: T€18,844.0). Purchase commitments for major investment projects totalled T€3,812.3 as at 31 December 2016 (previous year: T€6,457.0). No government grants for investments (previous year: T€70.7) were recognised in property, plant and equipment as a reduction in acquisition and production costs.

NOTE 10: Investment property

A detailed breakdown of the developments in this regard is presented in the statement of changes in assets, which forms an integral part of these consolidated financial statements. The fair value (Level 3 fair value) totals T€490.0 (previous year: T€922.9). This was determined on the basis of a market value assessment by an external property expert. The previous year's value was determined on the basis of an income capitalisation approach, which established the expected net profit at the risk-adjusted interest rate and the expected useful life through capitalisation.

Rental income of T€45.0 results from the leasing of investment property (previous year: T€53.1). No material directly attributable expenses were incurred in the financial year – as in the previous year. Impairment of T€130.5 (previous year: T€87.5) was recognised.

NOTE 11: Financial investments

	31/12/2016 T€	31/12/2015 T€
Investments	1,324.2	1,167.9
Securities	2,380.4	2,459.0
	3,704.6	3,626.9

Christ Nishotech Water Systems Pte. Ltd, India (equity as at 31 March 2016: INR 129,358.0 thousand [previous year: INR 84,086.3 thousand]); annual earnings from 1 April 2015 to 31 March 2016: INR 45,167.5 thousand [previous year: INR 6,937.3 thousand]) is carried at amortised cost since the majority shareholder is responsible for the company's management and the BWT Group therefore has no involvement in the decision-making processes concerning Christ Nishotech. The BWT Group hence has no significant influence over the company – as in the previous year.

Securities comprise the following:

	31/12/2016 T€	31/12/2015 T€
Fund participations and listed shares	1,442.9	1,521.5
Other securities	937.5	937.5
	2,380.4	2,459.0

As far as it was possible to determine market values for the financial investments, material changes in value were recognised in "Other comprehensive income". Value impairments are recognised in profit or loss in the consolidated income statement.

Note 12: Investments in associates

All of the companies included according to the equity method are listed in Appendix V.1. The companies are not of material significance for the BWT Group.
The investments in associates developed as follows:

	2016 T€	2015 T€
As at 1 January	268.3	43.6
Transfer from financial investments	0.0	214.4
Dividends paid	0.0	-49.0
Pro rata earnings for the period = total comprehensive income	111.0	59.4
As at 31 December	379.4	268.3

NOTE 13: Inventories

	31/12/2016 T€	31/12/2015 T€
Raw materials and supplies	29,124.7	28,604.7
Work in progress	12,252.5	12,032.7
Finished goods and goods for resale	37,265.3	34,454.9
Advance payments	4,494.3	3,681.7
	83,136.7	78,773.9

In the consolidated income statement, impairment losses on inventories are expensed in the amount of T€3,680.2 (previous year: T€1,271.9). Overall, inventories with a carrying amount of T€7,906.9 were impaired.

NOTE 14: Receivables and other assets

31/12/2016	Total T€	Of which current T€	Of which non-current T€
Trade receivables	77,144.5	77,144.5	0.0
Receivables from construction contracts	12,026.6	12,026.6	0.0
Income taxes	3,773.3	3,773.3	0.0
Other receivables from third parties	12,894.1	10,346.2	2,548.0
	105,838.6	103,290.6	2,548.0

31/12/2015	Total T€	Of which current T€	Of which non-current T€
Trade receivables	78,453.4	78,453.4	0.0
Receivables from construction contracts	10,470.4	10,470.4	0.0
Income taxes	967.8	967.8	0.0
Other receivables from third parties	10,768.4	9,102.9	1,665.6
	100,660.0	98,994.4	1,665.6

Receivables and other assets are classified as financial and non-financial assets in Note 26: Financial instruments.

Maturity structure of trade receivables:

	Total gross receivables T€	Neither past due nor impaired T€	Past due and impaired T€	Past due but not impaired < 60 days T€	> 60 days T€
31/12/2016	83,890.8	62,786.6	11,065.4	10,038.8	0.0
31/12/2015	83,655.3	63,328.4	8,913.2	11,413.7	0.0

Change in impairment losses on trade receivables:

	2016 T€		2015 T€	
	Specific impairment allowance	Portfolio-based allowance	Specific impairment allowance	Portfolio-based allowance
As at 1 January	3,686.3	1,515.7	3,775.0	1,095.6
Impairments of receivables	2,745.3	0.0	1,372.6	0.0
Amounts written down due to uncollectability	–315.7	0.0	–435.2	0.0
First consolidation of BWT BARRIER Group	0.0	0.0	120.5	221.0
Reversal of valuation allowances	–1,105.1	0.0	–1,146.7	0.0
Change in portfolio-based allowance	0.0	219.8	0.0	199.1
As at 31 December	5,010.8	1,735.5	3,686.3	1,515.7

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 2016, trade receivables were impaired to T€6,746.2 (previous year: T€5,201.9). Such impairments are partially based on the reminder level. Moreover, the Company runs individual impairment tests for material past due receivables. There are generally no indications of default in the case of receivables which are not yet due.

In addition, there is the addition of a portfolio-based allowance for impairment losses on receivables on the basis of not impaired receivables starting at 60 days past due. Impairment that is assessed on a portfolio basis is based on the maturities of the amounts receivable and a country-specific risk, which is determined on the basis of external credit rating agencies. There was no securitisation of receivables in the form of bills of exchange as at the balance sheet date.

NOTE 15: Receivables from construction contracts

	2016 T€	2015 T€
Contract revenues in the financial year	49,458.6	35,251.3
Cumulative costs up to 31 December	56,637.5	43,744.5
Cumulative profits realised up to 31 December	13,121.0	9,261.3
Cumulated losses realised up to 31 December	432.4	133.7
Part payments received	69,687.6	48,888.8

Part payments received were offset against receivables from construction contracts.

Construction contracts with debit balances in relation to customers amounted to T€11,829.4 (previous year: T€6,071.8).

A provision of T€328.0 (previous year: T€: 35.0) was established for onerous construction contracts.

NOTE 16: Cash and cash equivalents

	31/12/2016 T€	31/12/2015 T€
Bank balances	98.823,5	91.026,1
Cash-in-hand	113,8	99,2
Cheques	560,5	405,7
Cash and cash equivalents (net) in the consolidated cash flow statement	99.497,8	91.531,0

As at 31 December 2016, the Group had unrestricted access to cash and cash equivalents.

NOTE 17: Assets held for sale

In the first half of 2016, a property no longer used in the Austria / Germany segment that was reported under "Assets held for sale" was sold as at 31 December 2015, without a material impact on profit or loss.

NOTE 18: Deferred taxes

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:

	31/12/2016 T€	31/12/2015 T€
Deferred tax assets:		
Social capital provisions	6,343.0	6,048.7
Deferred tax claims arising from tax loss carryforwards	825.7	3,707.3
Various tax write-downs of property, plant and equipment and immaterial assets	1,228.5	1,208.4
Valuation of claims not recognised for tax purposes	715.4	423.6
Provisions not deductible for tax purposes	481.3	517.6
Other (temporary measurement differences)	1,767.0	2,567.6
	11,360.9	14,473.3
Deferred tax liabilities:		
Capitalised R&D	384.3	463.1
Various tax write-downs of property, plant and equipment and immaterial assets	–96.4	373.5
Measurement of financial assets available for sale	32.8	1,071.8
Differences due to production orders (POC)	1,787.0	1,117.1
Remeasurement of assets within the framework of purchase price assignment	0.0	50.8
Other (temporary measurement differences)	2.1	76.1
	2,109.7	3,152.4
Deferred tax assets / liabilities	9,251.2	11,320.9
Recorded as follows in the balance sheet:		
Deferred tax assets	9,994.2	11,652.7
Deferred tax liabilities	–743.0	–331.7
Deferred tax assets / liabilities	9,251.2	11,320.9

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 tax claims on existing losses carried forward amounting to T€825.7 (previous year: T€3,707.3) were capitalised as these are expected to 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 the respective countries. Moreover, loss carryforwards for which no deferred tax claims were stated amount to T€46,580.9 (previous year: T€28,565.4), thereof T€3,593.92(previous year: T€3,504.86) expiring in 1 to 10 years (previous year: T€3,504.86).

Deferred tax liabilities of T€4,814.9 (previous year: T€3,837.0) arising from the difference between the carrying amount of the investments in the tax accounts and the net assets in accordance with the IFRS financial statements are not recognised. This is because the parent company is able to control the timing of the recognition of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

NOTE 19: Equity

The composition and development of the equity recognised in the balance sheet is presented in the consolidated statement of changes in 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.

WAB Privatstiftung, a private trust of that Mr Andreas Weissenbacher, the long-standing CEO of BWT AG, holds a controlling participation within the meaning of the Takeover Act (ÜbG), and its subsidiary FIBA Beteiligungs- und Anlage GmbH and Mr Andreas Weissenbacher together hold 15,478,388 shares as at 31 December 2016 (previous year: 14,477,866 shares). This equates to 86.8% of BWT AG's total share capital (previous year: 81.2%). Around 7.2% of the share capital is in the free float (previous year: 12.8%). The remaining 6.0% are BWT AG treasury shares. As at 31 December 2016, BWT AG had purchased a total of 1,073,418 company shares in the course of its share buy-back programme. The free float is held by Austrian and international investors. BWT's shares are listed on the Standard Market Auction of the Vienna Stock Exchange under International Security Identification No. AT0000737705.

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.

Retained earnings include the cumulative profit or loss for the period and cumulative other earnings (remeasurements of the net defined benefit liability in accordance with IAS 19). In addition, the measurement of financial assets held for sale pursuant to IAS 39 and currency translation differences are also reported in retained earnings.

Resolutions of the Annual General Meetings held on 24 May 2007, 20 May 2008, 26 May 2010, 24 May 2012, 19 May 2014 and 1 July 2016 authorised the Management Board to buy back and (with the approval of the Supervisory Board) resell the Company's own shares by other means than via the stock exchange or through a public offering, and also disapplying existing shareholders' subscription rights. The last acquisition to date occurred on 20 September 2013. As at the balance sheet date of 31 December 2016, BWT AG holds a total of 1,073,418 treasury shares. The full cost of the acquisition amounting to €19.4 million (previous year: €19.4 million) was recorded in the consolidated balance sheet as a deduction from equity, as required under IFRS provisions.

A dividend payment of T€3,352.0 was distributed for outstanding shares in the 2016 financial year (previous year: T€4,692.8), which corresponds to €0.20 per share (previous year: €0.28).

Non-controlling interests:
The companies with non-controlling interests are listed in the attached Appendix V.1. The non-controlling interests are immaterial for the BWT Group, with the exception of the BWT BARRIER-Group companies. Losses are then also allocated to the non-controlling interest if this results in a negative balance.

The following table displays financial information relating to the BWT BARRIER-Group before intercompany eliminations. The BWT-BARRIER Group includes the following companies: BWT BARRIER Holding GmbH, BWT BARRIER Europe GmbH, TOO Barrier-Ukraine, OOO Aquasystems, AO "BWT BARRIER RUS", OOO Meory and OOO Dacron (see also Appendix V.1. Overview of the material participations). Control over the BWT BARRIER-Group was obtained at the end of October 2015 when the BWT BARRIER Holding GmbH company was acquired. Consequently, the information on the income statement from the previous year relates only to the period from 1 November to 31 December 2015.

BWT BARRIER-Group	31/12/2016 T€	31/12/2015 T€
Non-current assets	18,304.5	9,155.5
Current assets	33,272.9	23,704.1
Non-current liabilities	14,513.9	7,735.5
Current liabilities	15,968.8	5,508.6

BWT BARRIER-Group	1/1/–31/12/2016 T€	1/11–31/12/2015 T€
Revenues	50,179.4	7,352.8
Thereof intercompany eliminations	468.5	0.0
Profit/loss for the period	–4,637.5	–3,865.4
Profit/loss allocated to non-controlling interests	–1,480.4	–1,623.3
Percentage of non-controlling interests	36.3% – 80.1%	36.3% – 80.1%

NOTE 20: 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
Provisions for pensions involve defined benefit plans pursuant to IAS 19.

Within the BWT Group, there are two key groups of pension plans for pensions and similar obligations determined by national regulations or voluntary agreements. They relate to Austria, Germany, Netherland and Switzerland.

Pension plans in Austria, Germany and Netherland are defined benefit pension plans. These pension plans take into account length of service and partially prescribed salary/wages. All actuarial and investment risks are borne by the employer.

Another defined benefit pension plan relates to employees insured in the Swiss subsidiary. Under the Swiss Federal Law on Occupational Old-Age, Survivors and Invalidity Pensions (BVG), every employer must provide a level of post-employment benefit for employees entitled to such benefits. Under the pension plan, all insurance and investment risks are covered by a reinsurance contract. Within the meaning of IAS 19, the Swiss auditing committee (KWP) and its accounting sub-committee also consider "fully insured" occupational pension plans to be defined benefit plans.

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

Biometric calculation bases	2016	2015
Actuarial discount rate euro zone	1.60%	2.00%
Actuarial discount rate Switzerland	0.60%	0.75%
Wage/salary trend Switzerland	1.00%	1.00%
Pension trend euro zone	1.70%	1.70%

Retirement age was established on the basis of the legal provisions in force in the individual countries. In Austria, biometric calculation bases (AVÖ 2008-P) were assumed. In Germany, the biometric calculation bases are based on the 2005 G von Heubeck mortality tables. The demographic data in Switzerland is based on the technical assumptions of BVG 2010. The turnover rate in Switzerland is based on BVG 2010, whereas the turnover rate in the euro zone varied from 0% to 2% depending on age – as in the previous year.

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

	2016			2015		
in T€	Without plan assets	With plan assets	Total	Without plan assets	With plan assets	Total
Present value of pension obligations (DBO) as at 1 January	24,103.5	49,150.2	73,253.7	25,077.5	41,673.6	66,751.1
Service costs	143.2	2,337.4	2,480.6	133.4	1,325.2	1,458.6
Contributions of participants in the plan	0.0	2,300.3	2,300.3	0.0	2,529.5	2,529.5
Interest expense	469.5	368.9	838.4	464.6	541.3	1,005.9
Pension payments	–1,224.1	–4,246.5	–5,470.6	–1,218.8	–4,264.9	–5,483.7
Remeasurement of the net defined benefit liability	1,116.4	266.7	1,383.2	–353.2	2,774.6	2,421.4
Currency differences	0.0	448.6	448.6	0.0	4,570.9	4,570.9
Present value of pension obligations (DBO) as at 31 December	24,608.5	50,625.7	75,234.2	24,103.5	49,150.2	73,253.7
Plan assets	0.0	–39,318.3	–39,318.3	0.0	–38,510.4	–38,510.4
Provisions for pensions	24.608,5	11.307,4	35.915,9	24.103,5	10.639,8	34.743,2

The "Service costs" item includes past income amounting to T€223.5 (previous year: T€935.6). Remeasurements of the net defined benefit liability were recognised in "Other comprehensive income" in accordance with IAS 19. The interest expense was recognised in the financial result. The remaining components are included in personnel expenses.

Employer contributions estimated for the next financial year are expected to have a similar value to those paid in the 2016 financial year.

The following table shows a quantitative sensitivity analysis for material actuarial assumptions as at 31 December 2016. With the other assumptions remaining constant, the defined benefit obligation would have been affected by changes in one of the material actuarial assumptions that were reasonably expected at the balance sheet date by the following amounts. No possible interdependencies between the individual actuarial assumptions were taken into consideration.

Assumptions	Discount rate		Salary trend		Pension trend	
Sensitivity level	0.50%	–0.50%	0.50%	–0.50%	0.50%	–0.50%
Influence on the present value 31/12/2016 in T€	–5,362.1	6,049.6	576.7	–587.5	3,484.8	–3,175.0
Influence on the present value 31/12/2015 in T€	–5,641.7	6,453.2	166.3	–171.7	1,303.3	–1,197.5

The changes in the fair value of the plan assets are as follows:

	2016 T€	2015 T€
Fair value of plan assets as at 1 January	38,510.4	33,789.8
Expected yield	287.9	438.9
Employer contributions	1,803.4	1,851.7
Contributions of participants in the plan	2,300.3	2,529.5
Benefits paid out	–4,246.5	–4,264.9
Remeasurement of the net defined benefit liability	317.2	467.3
Currency differences	345.5	3,698.3
Fair value of plan assets as at 31 December	39,318.3	38,510.4

The plan assets comprise the following:

	2016 T€	2015 T€
Fixed term deposits (listing on active market)	106.9	60.0
Insurance contract (no listing on active market)	39,211.4	38,450.4
	39,318.3	38,510.4

The actual yield for the plan assets is the expected yield plus positive/negative remeasurements of the net defined benefit liability in accordance with IAS 19.

The remeasurements of the net defined benefit liability in the case of pension provisions recognised in the financial year in accordance with IAS 19 were as follows:

	2016 T€	2015 T€
Pensionsverpflichtungen		
Experience-based adjustments	–497.2	–543.3
Adjustments of demographic actuarial assumptions	1,181.6	0.0
Adjustments of financial actuarial assumptions	–2,067.6	–1,878.1
	–1,383.2	–2,421.4
Plan assets		
Experience-based adjustments	317.2	467.3
	–1,065.9	–1,954.2

The accumulated remeasurements of the net defined benefit liability relating to pension and severance pay provisions recognised in “Other comprehensive income” in accordance with IAS 19 amount to T€-18,041.6 (previous year: T€-17,544.7) after taxes.

The average term of the pension provisions is 14.1 years (previous year: 14.7 years).

Provisions for severance payments

Provisions for severance payments involve defined benefit plans pursuant to IAS 19.

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

Biometric calculation bases	2016	2015
Actuarial discount rate euro zone	1.60%	2.00%
Wage/salary trend	3.00%	3.00%

Retirement age was established on the basis of the legal provisions in force in the individual countries. In Austria, biometric calculation bases (AVÖ 2008-P) were assumed, whereas in Italy biometric calculation bases based on the ISTAT 2000 mortality table were assumed. In France, the biometric calculation bases are based on the TH 00-02 and TF 00-02 mortality tables. A turnover rate of between 0.0% and 6.8% (previous year: between 0.0% and 7.8%) 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:

	2016			2015		
in T€	Without plan assets	With plan assets	Total	Without plan assets	With plan assets	Total
Present value of obligations (DBO) as at 1/1	4,917.7	4,160.4	9,078.2	4,584.0	3,958.6	8,542.5
Service costs	194.3	286.1	480.4	210.3	274.0	484.3
Interest expense	97.0	83.2	180.2	85.9	75.2	161.2
Severance payments	–179.5	–128.8	–308.3	–351.3	–99.3	–450.7
Remeasurement of the net defined benefit liability	31.1	–438.4	–407.3	388.9	–48.0	340.8
Present value of obligations (DBO) as at 31/12	5,060.6	3,962.5	9,023.1	4,917.7	4,160.4	9,078.2
Plan assets	0.0	–710.1	–710.1	0.0	–701.0	–701.0
Provisions for severance payments	5,060.6	3,252.5	8,313.0	4,917.7	3,459.4	8,377.1

Remeasurements of the net defined benefit liability were recognised in "Other comprehensive income" 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.

Employer contributions estimated for the next financial year are expected to have a similar value to those paid in the 2016 financial year – as in the previous year.

The following table shows a quantitative sensitivity analysis for material actuarial assumptions as at 31 December 2016. With the other assumptions remaining constant, the defined benefit obligation would have been affected by changes in one of the material actuarial assumptions that were reasonably expected at the balance sheet date by the following amounts. No possible interdependencies between the individual actuarial assumptions were taken into consideration.

Annahmen	Rechnungszinssatz		Lohn-/Gehaltstrend	
Sensitivity level	0.50%	–0.50%	0.50%	–0.50%
Influence on the present value 31/12/2016 in T€	–517.2	566.4	505.8	–466.3
Influence on the present value 31/12/2015 in T€	–540.8	592.8	526.9	–485.1

The plan assets consist entirely of insurance policies covering future pension obligations (no listing on active market), 90% of which are invested in Euro Fonds with a guaranteed minimum interest rate. The changes in the fair value of the plan assets are as follows:

	2016 T€	2015 T€
Fair value of plan assets as at 1 January	701.0	663.5
Expected yield	14.0	13.3
Remeasurement of the net defined benefit liability	–5.0	24.3
Fair value of plan assets as at 31 December	710.1	701.0

The actual yield for the plan assets is the expected yield plus positive/negative remeasurements of the net defined benefit liability in accordance with IAS 19.

The remeasurements of the net defined benefit liability in the case of severance pay provisions recognised in the financial year in accordance with IAS 19 were as follows:

	2016 T€	2015 T€
Severance pay obligation		
Experience-based adjustments	304,7	–124,2
Adjustments of financial actuarial assumptions	80,2	7,3
Adjustments of demographic actuarial assumptions	22,4	–224,0
	407,3	–340,8
Plan assets:		
Adjustments of financial actuarial assumptions	–5,0	24,3
	402,4	–316,6

The average term of the severance pay provisions is 13.4 years (previous year: 12.7 years).

Anniversary bonus provisions
Anniversary bonus provisions involve "other long-term employee benefits" pursuant to IAS 19. The following parameters were applied in performing calculations using the projected unit credit method:

Biometric calculation bases	2016	2015
Actuarial discount rate euro zone	1.60%	2.00%
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 15.1% (previous year: between 0.0% and 15.1%) was selected, depending on age.

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

	2016 T€	2015 T€
Present value of obligations (DBO) as at 1 January	1,922.4	1,830.8
Service costs	173.0	161.7
Interest expense	38.0	34.0
Anniversary bonus payments	–98.6	–146.4
Remeasurement of the net defined benefit liability	–70.0	42.3
Present value of obligations (DBO) as at 31 December	1,964.9	1,922.4

Remeasurements of the net defined benefit liability 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.

NOTE 21: Other provisions

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

	01/01/2016	Change in scope of consolidation	Currency differences	Utilisation	Reversal	Addition	31/12/2016	Of which non-current
	T€	T€	T€	T€	T€	T€	T€	T€
Guarantees	4,625.6	0.0	26.9	–2,411.3	–160.8	3,963.8	6,044.2	35.8
Bonuses, rebates	3,597.6	0.0	213.8	–2,795.6	–44.5	3,095.4	4,066.7	0.0
Annual financial statement costs	410.0	0.0	–0.2	–394.4	–5.3	367.3	377.4	0.0
Litigation costs	453.7	0.0	0.1	–308.4	–56.4	623.1	712.1	0.0
Events causing damage	2,940.7	0.0	1.7	–468.5	–737.2	1,051.2	2,787.9	0.0
Others	11,852.8	0.0	75.0	–5,551.6	–1,072.2	15,999.8	21,303.8	1,033.4
	23,880.5	0.0	317.2	–11,929.7	–2,076.4	25,100.5	35,292.1	1,069.2

	01/01/2015	Change in scope of consolidation	Currency differences	Utilisation	Reversal	Addition	31/12/2015	Of which non-current
	T€	T€	T€	T€	T€	T€	T€	T€
Guarantees	4,009.2	0.0	78.8	–2,652.8	–86.2	3,276.6	4,625.6	320.9
Bonuses, rebates	2,369.6	508.7	9.7	–2,585.5	–4.9	3,300.0	3,597.6	0.0
Annual financial statement costs	375.0	24.4	4.6	–361.0	–11.6	378.5	410.0	0.0
Litigation costs	266.4	0.0	0.6	–135.0	–55.0	376.6	453.7	0.0
Events causing damage	3,077.9	0.0	2.7	–790.8	–235.3	886.1	2,940.7	0.0
Others	10,036.5	0.0	41.1	–3,951.4	–818.4	6,545.0	11,852.8	1,203.4
	20,134.7	533.1	137.5	–10,476.4	–1,211.3	14,762.9	23,880.5	1,524.3

The provisions for guarantees concern the costs of expected complaints relating to products that 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 long-term 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 and liability provisions, as in the previous year. Owing to the nature of the provision, the timing cannot be predicted. The increase year on year is due primarily to provisions for obligations relating to promotional activities, advertising and research expenditure, provisions for onerous contracts and for settlement payments.

NOTE 22: Liabilities

31/12/2016	Total T€	Residual maturity of less than 1 year T€	Residual maturity between 1 year and 5 years T€	Residual maturity of more than 5 years T€	Residual maturity of more than 1 year and collateralised T€
Non-derivative financial liabilities					
Interest-bearing financial liabilities	90,615.9	13,513.1	75,540.3	1,562.5	5,000.0
Trade liabilities	39,473.3	39,473.3	0.0	0.0	0.0
Other liabilities					
Of which:					
Other liabilities	12,122.7	11,876.6	246.1	0.0	0.0
	142,211.9	64,863.0	75,786.4	1,562.5	5,000.0
Non financial liabilities					
Other liabilities					
Of which:					
Advance payments received on orders	7,578.0	7,578.0	0.0	0.0	0.0
Other liabilities	34,536.3	34,536.3	0.0	0.0	0.0
	42,114.3	42,114.3	0.0	0.0	0.0
Total liabilities	184,326.2	106,977.2	75,786.4	1,562.5	5,000.0
Existing interest payment obligations for financial liabilities:					
Interest-bearing financial liabilities	3,700.3	1,118.6	2,561.3	20.5	0.0
Non-discounted financial liabilities in accord-ance with IFRS 7.39 (a) (b) and non-financial liabilities	188,026.5	108,095.8	78,347.7	1,583.0	5,000.0

31/12/2015	Total T€	Residual maturity of less than 1 year T€	Residual maturity between 1 year and 5 years T€	Residual maturity of more than 5 years T€	Residual maturity of more than 1 year and collateralised T€
Non-derivative financial liabilities					
Interest-bearing financial liabilities	100,845.2	16,941.3	71,091.4	12,812.5	11,091.4
Trade liabilities	38,439.3	38,439.3	0.0	0.0	0.0
Other liabilities					
Of which:					
Other liabilities	9,233.2	9,233.2	0.0	0.0	0.0
	148,517.6	64,613.8	71,091.4	12,812.5	11,091.4
Derivative financial liabilities					
Other liabilities					
Of which:					
Other liabilities	306.9	306.9	0.0	0.0	0.0
	306.9	306.9	0.0	0.0	0.0
Non-financial liabilities					
Other liabilities					
Of which:					
Advance payments received on orders	9,711.2	9,711.2	0.0	0.0	0.0
Other liabilities	32,701.6	32,701.6	0.0	0.0	0.0
	42,412.8	42,412.8	0.0	0.0	0.0
Total liabilities	191,237.4	107,333.5	71,091.4	12,812.5	11,091.4
Existing interest payment obligations for financial liabilities:					
Interest-bearing financial liabilities	4,924.1	1,221.4	3,494.3	208.4	0.0
Non-discounted financial liabilities in accordance with IFRS 7.39 (a) (b) and non-financial liabilities	196,161.5	108,554.9	74,585.7	13,020.9	11,091.4

Liabilities are classified as financial and non-financial liabilities in Note 26: Financial instruments.

Other liabilities include other tax liabilities of T€6,922.3 (previous year: T€8,345.6) and other social security liabilities of T€3,655.0 (previous year: T€3,554.0).

Collateral in rem mainly consists of mortgage rights.

NOTE 23: Other liabilities and contingent liabilities

Rental and lease agreements

The 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:

2016	T€
2017	11.510,3
2018-2021	13.279,4
Thereafter	968,3

2015	T€
2016	11.316,3
2017-2020	14.729,2
Thereafter	1.396,4

Total rental and leasing expenses in the financial year amounted to T€12,784.3 (previous year: T€12,682.7).

No significant finance lease agreements were concluded.

Warranties and guarantees

Most of the provisions for extended liabilities from company disposals recognised in previous years are still outstanding. Part of this provision was used in 2016; a partial amount was reversed to profit or loss. The provision recognised in full as at 31 December 2015 for obligations for a warranty issued was used in 2016; insignificant amounts were reversed.

As at 31 December 2016, the likelihood of claims for all other warranties and guarantees assumed is deemed to be not more than remote.

Pending litigation

There are a number of legal disputes, particularly in the area of patent and trademark rights. 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.

In August 2016, the Linz Higher Regional Court ruled that the resolution adopted by the 25th Annual General Meeting of the company on 25 August 2015 on the merger of BWT Aktiengesellschaft and its wholly owned subsidiary BWT Holding AG, and the associated delisting of the company that was contested by shareholders in court, is legal. However, the decision by the Linz Higher Regional Court is not final; shareholders have appealed for review by the Supreme Court, though its decision is still pending.

Notes to the consolidated cash flow statement

The consolidated cash flow statement shows how the funds of the Group changed over the course of the financial year as a result of cash inflows and outflows. The effects of company purchases or disposals were eliminated and are detailed in the items “Payments for acquisition of subsidiaries less acquired cash and cash equivalents” and “Proceeds from disposal of subsidiaries less disposed cash and cash equivalents”. The cash flow statement distinguishes between operating, investing and financing activities.

NOTE 24: 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 flow from operating activities totalling T€40,807.4 (previous year: T€45,884.4) includes changes in working capital.

Interest and dividends are recognised in cash flow from operating activities.

NOTE 25: Cash flow from investing activities

As at the balance sheet date, there are outstanding liabilities for investments in property, plant and equipment, intangible assets and financial assets amounting to T€3,770.8 (previous year: T€1,505.9).

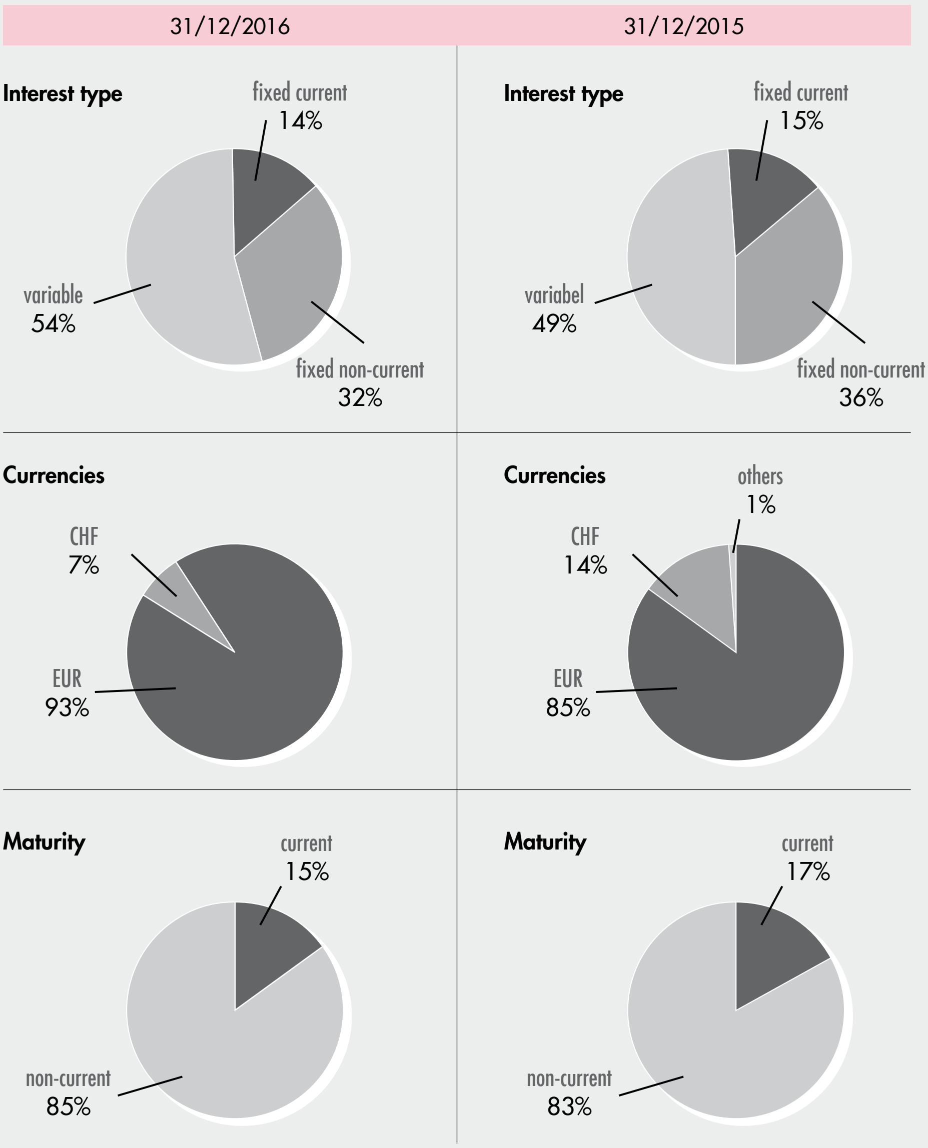
As at the balance sheet date, there are no material outstanding receivables for the disposal of property, plant and equipment, intangible assets and financial assets – as in the previous year.

NOTE 26: Financial instruments

Interest-bearing financial liabilities

Interest-bearing financial liabilities totalling T€90,615.9 were reported as at the balance sheet date of 31 December 2016 (previous year: T€100,845.2).

As at the balance sheet date, the interest-bearing financial liabilities have an average effective interest rate of 1.31% (previous year: 1.45%) and break down as follows:



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 BWT Group's business activities, it is necessary to use debt to finance operating resources, investments and possible expansions of the BWT Group. Current debt has both fixed and variable interest rates and is short-, medium- and long-term. Loans with a short-term fixed interest rate and variable interest loans are exposed to a standard market interest rate risk. At present, the Management Board assesses the interest rate risk for the financial instruments shown in the consolidated balance sheet as low. Possible risks that 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. This represents the assessment of the Management Board 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€223.5 higher (previous year: T€178.0 higher). If interest rates were 50 basis points lower, and all other variables remained constant, net interest income would be T€463.1 lower (previous year: T€408.8 lower). Possible negative interest on bank balances was factored into the calculation.

Exchange rate risks
The BWT Group partly finances its operating resources, investments and possible expansion in foreign currencies. Cash and cash equivalents are also partly held in foreign currencies. There is also a currency risk for individual transactions and financing within Group companies on account of different currencies being involved. These transactions are largely related directly to the international character of the Group's operations. Covering transactions are carried out in the Group's central treasury for cash flows in foreign currencies and these reduce the negative effects of exchange rate fluctuations. Necessary interest and currency hedging (e.g. by means of derivatives) from the operating activities in the BWT Group are carried out and overseen at Group level. Overall, it should be noted that the general situation and greater exposure in non-euro countries in these areas is likely to result in higher fluctuations.

As in the previous year, EUR/CHF, EUR/USD and EUR/RUB 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 subsidiary's EUR balance sheet items from operating activities as well as the CHF balance sheet items of EUR companies. The EUR/USD risk arises from USD balance sheet items. The EUR/RUB risk is primarily related to the EUR balance sheet items of Russian subsidiaries and to the RUB balance sheet items of EUR companies.

The following currency sensitivity analysis investigates the effects of an increase or decrease in the relevant currency pairs by 10% on the measurement of financial instruments as at the balance sheet date. This relates to the balance sheet date at 31 December 2016.

Effects on EBIT in 2016	Increase 10% in T€	Decrease 10% in T€
EUR/CHF exchange rate	–1,012.9	1,238.0
EUR/USD exchange rate	–97.7	119.4
EUR/RUB exchange rate	–820.3	1,002.5
Effects on EBIT in 2015	**Increase 10% in T€**	**Decrease 10% in T€**
EUR/CHF exchange rate	–153.0	187.1
EUR/USD exchange rate	–240.5	294.0
EUR/RUB exchange rate	–698.5	853.8

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 BWT Group practically without risk and at short notice.

A corporate-wide financing company operating within the BWT Group, which also holds the existing cash pools, is available to control and optimise liquidity. The 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 current economic conditions to have no direct impact on its access to credit lines.

Non-discounted cash flow is detailed in Note 22.

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, the BWT Group is thus attempting to reduce this risk by, for example, obtaining payment guarantees from banks and credit insurance companies. 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, for example by obtaining company information from reputable agencies. However, with a more difficult environment in individual countries, despite careful examination, increasing defaults of receivables are to be expected. As in the previous year, this was taken into account through the recognition of a portfolio-based allowance for impairment losses on receivables.

Default risk management
The 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.

Primary financial instruments
Primary financial instruments are presented in the consolidated 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 consolidated 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 impact of potential default of receivables on the Group's earnings is regarded as low because 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 the BWT Group only cooperates with financial partners that have impeccable creditworthiness. The risk related to cash investments is also spread out by distribution among several banks and currencies.

Due to the decentralised character of the BWT Group in Europe, loans for current assets are taken out and cash investments are made in the respective currencies of local companies as well. Exchange rate risks are therefore very limited as the transactions of foreign companies are mainly invoiced in the respective local currency. An exception to this are investments made by the corporate-wide financing company, which also invests and borrows cash and cash equivalents in currencies relevant to the Group up to defined limits.

Measurement categories of financial instruments

2016 in T€	Total carrying amount as at 31/12	Loans and receivables	Held for trading purposes	Available for sale	Liabilities at amortised cost	Carrying amount of financial instruments as at 31/12	Not a financial instrument	Fair value Level 1	Fair value Level 2	Fair value Level 3
Financial assets/liabilities measured at fair value										
Non-current assets										
Financial investments	1.442,9	0,0	0,0	1.442,9	0,0	1.442,9	0,0	1.442,9	0,0	0,0
Financial assets/liabilities not measured at fair value										
Noncurrent assets										
Financial investments	2.261,7	0,0	0,0	2.261,7	0,0	2.261,7	0,0			
Other receivables from third parties	2.548,0	1.460,4	0,0	0,0	0,0	1.460,4	1.087,6			
Current assets										
Trade receivables	77.144,5	77.144,5	0,0	0,0	0,0	77.144,5	0,0			
Other receivables from third parties	10.346,2	5.416,2	0,0	0,0	0,0	5.416,2	4.930,0			
Cash and cash equivalents	99.497,8	99.497,8	0,0	0,0	0,0	99.497,8	0,0			
Non-current liabilities										
Interest-bearing financial liabilities	77.102,8	0,0	0,0	0,0	77.102,8	77.102,8	0,0			
Other liabilities	246,1	0,0	0,0	0,0	246,1	246,1	0,0			
Current liabilities										
Interest bearing financial liabilities	13.513,1	0,0	0,0	0,0	13.513,1	13.513,1	0,0			
Trade payables	39.473,3	0,0	0,0	0,0	39.473,3	39.473,3	0,0			
Other liabilities	53.990,9	0,0	0,0	0,0	11.876,6	11.876,6	42.114,3			

As at 31 December 2016, there was no material offset of financial assets and financial liabilities – as was the case in the previous year.

2015 in T€	Total carrying amount as at 31/12	Loans and receivables	Held for trading purposes	Available for sale	Liabilities at amortised cost	Carrying amount of financial instruments as at 31/12	Not a financial instrument	Fair value Level 1	Level 2	Level 3
Financial assets/liabilities measured at fair value										
Non-current assets										
Financial investments	1,521.5	0.0	0.0	1,521.5	0.0	1,521.5	0.0	1,521.5	0.0	0.0
Current assets										
Other receivables from third parties	22.2	0.0	22.2	0.0	0.0	22.2	0.0	0.0	22.2	0.0
Current liabilities										
Other liabilities	306.9	0.0	306.9	0.0	0.0	306.9	0.0	0.0	306.9	0.0
Financial assets/liabilities not measured at fair value										
Non-current assets										
Financial investments	2,105.4	0.0	0.0	2,105.4	0.0	2,105.4	0.0			
Other receivables from third parties	1,665.6	1,665.6	0.0	0.0	0.0	1,665.6	0.0			
Current assets										
Trade receivables	78,453.4	78,453.4	0.0	0.0	0.0	78,453.4	0.0			
Other receivables from third parties	9,080.7	4,778.5	0.0	0.0	0.0	4,778.5	4,302.2			
Cash and cash equivalents	91,531.0	91,531.0	0.0	0.0	0.0	91,531.0	0.0			
Non-current liabilities										
Interest-bearing financial liabilities	83,903.9	0.0	0.0	0.0	83,903.9	83,903.9	0.0			
Other liabilities	499.7	0.0	0.0	0.0	499.7	499.7	0.0			
Current liabilities										
Interest-bearing financial liabilities	16,941.3	0.0	0.0	0.0	16,941.3	16,941.3	0.0			
Trade payables	38,439.3	0.0	0.0	0.0	38,439.3	38,439.3	0.0			
Other liabilities	51,645.9	0.0	0.0	0.0	9,233.2	9,233.2	42,412.7			

Financial assets and liabilities measured at fair value

Financial investments designated Level 1 (see Note 11) include listed shares and fund units – as in the previous year. Other receivables (see Note 14) and other liabilities (see Note 22) designated Level 2 result from the measurement of outstanding derivative foreign exchange transactions – as in the previous year. Fair value was determined using bank valuations on the basis of the futures rates as at the balance sheet date (interbank middle rate prices).

In 2016, as in the previous year, there were no changes between Level 1 and Level 2 and vice-versa. There was no change in the accounting policy.

Financial assets and liabilities not measured at fair value

The fair value of financial instruments that are not measured at fair value essentially reflects the carrying amounts as at the balance sheet date of 31 December 2016 – as in the previous year. An exception is interest-bearing financial liabili-ties, whose fair value as at 31 December 2016 amounts to T€91,856.1 (carrying amount T€90,615.9). In the previous year, the fair value of interest-bearing financial liabilities amounted to T€101,510.4 (carrying amount T€100,845.2). The fair value of the interest-bearing financial liabilities is classified as Level 3. This was determined on the basis of comparable bank offers – as was the case in the previous year. The creditworthiness of the BWT Group has not changed significantly and thus has no influence on the fair value calculation.

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% for the current Group structure. Capital management is checked regularly to determine if it needs to be adjusted to current developments. As at 31 December 2016, the BWT Group still reported a high equity ratio of 41.0% (previous year: 40.4%) and gearing of -4.6% (previous year: 5.1%).

Net debt

Net debt (gearing) at the end of the year was as follows:

	31/12/2016 T€	31/12/2015 T€
Interest-bearing financial liabilities	90,615.9	100,845.2
less cash and cash equivalents	–99,497.8	–91,531.0
Net debt	–8,881.9	9,314.2
Equity	194,400.3	183,265.1
Net debt in relation to equity (gearing)	–4.6%	5.1%

Derivative financial instruments
The BWT Group had not concluded any currency futures contracts as at 31 December 2016. In the previous year, to hedge its exchange rate risk the Group concluded the following currency futures contracts:

31/12/2015	Currency	Nominal amount T FW	Market value T€
Purchase of USD futures against EUR	TUSD	2,680.0	22.3
Purchase of RUB futures against EUR	TRUB	255,000.0	–306.9
Sale of SEK futures against EUR	TSEK	–859.4	–0.1

The carrying amounts of the financial assets correspond to the maximal loss risk at 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 27: Disclosures on associates and related parties

In 2016, the BWT Group received materials and services from associates totalling T€4,556.8 (previous year: T€3,219.2) and provided associates with materials and services amounting to T€101.9 (previous year: T€87.4). As at the balance sheet date of 31 December 2016 – as in the previous year – the BWT Group had no receivables from associates and its liabilities to associates amounted to T€265.9 (previous year: T€266.0).

In 2016, the BWT Group received materials and services totalling T€3,739.3 (previous year: T€559.0) from unconsolidated subsidiaries (see note on the scope of consolidation) and provided unconsolidated subsidiaries with materials and services amounting to T€428.6 (previous year: T€39.7). Expenses for impairment losses of T€136.4 was recognised (previous year: T€0.0). As at the balance sheet date of 31 December 2016, the BWT Group's receivables from and other assets in unconsolidated subsidiaries amounted to T€767.4 (previous year: T€89.2) and its liabilities totalled T€79.4 (previous year: T€0.0).

In 2016, the BWT Group received materials and services from other related parties totalling T€1,617.2 (previous year: T€1,734.2) and provided other related parties with materials and services amounting to T€6,862.5 (previous year: T€6,599.6). As at the balance sheet date of 31 December 2016, the BWT Group reported receivables from other related parties of T€16.3 (previous year: T€442.8), liabilities of T€23.4 (previous year: T€279.9) and provisions of T€20.2 (previous year: T€0.0).

Transactions with associates and other affiliated companies and persons were carried out on normal regular 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€861.6 (previous year: T€898.5). No payments were made to former members of the Management Board or to the survivors of such former members.

NOTE 28: Other information

Material events after the balance sheet date
No other reportable events occurred after the balance sheet date.

Information on corporate bodies
Members of the Supervisory Board received compensation for their activities in the 2016 financial year of T€60.0 (previous year: T€60.0). In addition, travel costs were also reimbursed. 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 2016 financial year:

- Mr Andreas Weißenbacher (CEO)
- Mr Gerhard Speigner

The Supervisory Board consisted of the following members in the 2016 financial year:

- Dr Leopold Bednar (Chairman)
- Dr Wolfgang Hochsteger (Vice-Chairman)
- Mr Ekkehard Reicher
- Ms Gerda Egger
- Dr Helmut Schützeneder

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.

	2016	2015
Annual earnings in T€ attributable to shareholders of the parent company	10,846.6	10,516.1
Weighted number of shares in circulation	16,760,082	16,760,082
Earnings per share in €	0.65	0.63

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 2016, 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 next Ordinary Annual General Meeting:

a) A dividend payment of €0.20 per share for outstanding shares.
b) Carrying forward the remaining amount to the new financial year.

The consolidated financial statements as at 31 December 2016, drawn up in accordance with IFRS as applicable in the EU, were approved by the Management Board on

Mondsee, 1 March 2017

Andreas Weissenbacher Chief Executive Officer	Gerhard Speigner Chief Financial Officer

Overview of the participations (appendix V.1.)

As at 31 December 2016, the scope of consolidation comprises the following companies:

Abbreviation	Company, location	Total in %	Indirectly in %	via	Consoli-dation
BWT AG	BWT Aktiengesellschaft, Mondsee				
BWT Hold	BWT Holding AG, Mondsee	100.0%			V
BWT AT	BWT Austria GmbH, Mondsee	100.0%			V
W+M AT	BWT water + more GmbH, Mondsee	100.0%			V
BWT Barrier Hold	BWT BARRIER Holding GmbH, Mondsee	51.0%			V
BWT Barrier EU	BWT BARRIER Europe GmbH, Mondsee	63.7%	26.0%	BWT AG	V
			74.0%	BWT Barrier Hold	
BWT Pool AT	BWT Pool & Water Technology GmbH, Mondsee	100.0%			V
AS Bet	Aqua Service Beteiligungen GmbH, Mondsee	100.0%			V
BWT GS	BWT Group Services GmbH, Mondsee	100.0%	100.0%	AS Bet	V
Arcana	Arcana Pool Systems GmbH, Gerasdorf	100.0%			V
Manufactur	Manufactur für Glas und Spiegel GmbH, Mondsee	100.0%	100.0%	BWT AT	V
PLS Hold	P & LS Holding GmbH, Mondsee	100.0%			V
BWT MT Hold	BWT Malta Limited, Msida	100.0%	100.0%	BWT GS	V
BWT DE	BWT Wassertechnik GmbH, Schriesheim	100.0%			V
Fuma Tech	FUMATECH BWT GmbH, Bietigheim-Bissingen	94.5%	94.5%	BWT DE	V
W+M DE	BWT water + more Deutschland GmbH, Wiesbaden	100.0%	100.0%	BWT DE	V
hobbypool	hobby-pool technologies GmbH, Großzöberitz	100.0%	100.0%	BWT DE	V
Pharma DE	BWT Pharma & Biotech GmbH, Bietigheim-Bissingen	100.0%	100.0%	PLS Hold	V
BWT FR	BWT France S.A.S., St. Denis	100.0%			V
BWT BE	BWT Belgium nv/sa, Zaventem	100.0%	100.0%	BWT DE	V
BWT NL	BWT Nederland BV, Waddinxveen	100.0%			V
BWT UK	BWT UK Limited, High Wycombe	100.0%			V
BWT DK	BWT HOH A/S, Greve	100.0%			V
BWT SC	BWT (Seychelles) Limited, Victoria	100.0%	99.0%	BWT DK	V
			1.0%	BWT SE	V
HOH SC	HOH Seychelles Desalination Company Limited, Victoria	50.0%	50.0%	BWT DK	V
BWT SE	BWT Vattenteknik AB, Malmö	100.0%	100.0%	BWT DK	V
BWT NO	BWT Birger Christensen AS, Asker	100.0%	100.0%	BWT DK	V
BWT FI	BWT Separtec OY, Raisio	100.0%	100.0%	BWT DK	V
Pharma SE	BWT Pharma & Biotech AB, Malmö	100.0%	100.0%	PLS Hold	V
BWT IT	BWT Italia S.R.L. (vormals: Cillichemie Italiana S.R.L.), Mailand	100.0%			V
W+M IT	BWT WATER & MORE ITALIA S.R.L., Bergamo	100.0%	99.8%	W+M DE	V
			0.2%	BWT IT	
Easy Aqua IT	Easy Aqua Italia Srl, Mailand	100.0%	100.0%	BWT NL	V
BWT ES	BEST WATER TECHNOLOGY Ibérica S.A. , Barcelona	100.0%			V
BWT Aqua	BWT AQUA AG, Aesch	100.0%			V
BWT HU	BWT Hungaria KFT, Budaörs	93.0%			V
Mimo	Mimo Park Kft, Budaörs	74.0%			V
BWT PL	BWT Polska Sp.z.o.o., Warschau	100.0%			V
BWT UA	BWT Ukraine, Kiev	100.0%	100.0%	BWT AG	V
BWT Barrier UA	TOO Barrier-Ukraine, Kiev	63.7%	100.0%	BWT Barrier RU	V
BWT CZ	BWT Ceska Republika s.r.o., Prag	100.0%			V
BWT RU	OOO BWT, Moskau	93.3%			V
BWT Barrier RU	AO "BWT BARRIER RUS" (vormals: ZAO METTEM	63.7%	26.0%	BWT AG	V
	-Technologies), Balashikha		74.0%	BWT Barrier Hold	
BWT AS RU	OOO Aquasystems, Moskau	63.7%	100.0%	BWT Barrier RU	V
Meory	OOO Meory, Moskau	19.9%	19.9%	AS Bet	V
Dacron	OOO Dacron, Balashikha	53.0%	84.2%	BWT Barrier Hold	V
			15.8%	BWT Barrier RU	
BWT CN	BWT Water Technology (Shanghai) Co. Ltd., Shanghai	100.0%			V
Pharma CN	Christ Aqua Pharma & Biotech (Shanghai) Ltd., Shanghai	100.0%	100.0%	PLS Hold	V
BWT Barrier DE	Barrier Water Filters GmbH, Berlin				
Alpha	SAS Alpha Industries, Quatre Champs	49.0%	49.0%	BWT FR	E
INET	INET InterEko Technik Spol. sr.o., Vysoká	49.0%	49.0%	hobbypool	E

These consolidated financial statements represent an exemption for FUMATECH BWT GmbH, hobby-pool technologies GmbH and BWT water + more GmbH

F = Fully consolidated, E = Equity consolidated

As at 31 December 2015, the scope of consolidation comprises the following companies:

Abbreviation	Company, location	Total in %	Indirectly in %	via	Consoli-dation
BWT AG	BWT Aktiengesellschaft, Mondsee				
BWT Hold	BWT Holding AG, Mondsee	100.0%			V
BWT AT	BWT Austria GmbH, Mondsee	100.0%			V
W+M AT	BWT water + more GmbH, Mondsee	100.0%			V
BWT Barrier Hold	BWT BARRIER Holding GmbH, Mondsee	51.0%			V
BWT Barrier EU	BWT BARRIER Europe GmbH, Mondsee	63.7%	26.0%	BWT AG	V
			74.0%	BWT Barrier Hold	
BWT Pool AT	BWT Pool & Water Technology GmbH, Mondsee	100.0%			V
AS Bet	Aqua Service Beteiligungen GmbH, Mondsee	100.0%			V
BWT GS	BWT Group Services GmbH, Mondsee	100.0%	100.0%	AS Bet	V
Arcana	Arcana Pool Systems GmbH, Gerasdorf	100.0%			V
Manufactur	Manufactur für Glas und Spiegel GmbH, Mondsee	100.0%	100.0%	BWT AT	V
PLS Hold	P & LS Holding GmbH, Mondsee	100.0%			V
BWT MT Hold	BWT Malta Limited, Msida	100.0%	100.0%	BWT GS	V
BWT DE	BWT Wassertechnik GmbH, Schriesheim	100.0%			V
Fuma Tech	FUMATECH BWT GmbH, Bietigheim-Bissingen	94.5%	94.5%	BWT DE	V
W+M DE	BWT water + more Deutschland GmbH, Wiesbaden	100.0%	100.0%	BWT DE	V
hobbypool	hobby-pool technologies GmbH, Großzöberitz	100.0%	100.0%	BWT DE	V
Pharma DE	BWT Pharma & Biotech GmbH, Bietigheim-Bissingen	100.0%	100.0%	PLS Hold	V
BWT FR	BWT France S.A.S., St. Denis	100.0%			V
BWT BE	BWT Belgium nv/sa, Zaventem	100.0%	100.0%	BWT DE	V
BWT NL	BWT Nederland BV, Waddinxveen	100.0%			V
BWT UK	BWT UK Limited, High Wycombe	100.0%			V
BWT DK	BWT HOH A/S, Greve	100.0%			V
BWT SC	BWT (Seychelles) Limited, Victoria	100.0%	99.0%	BWT DK	V
			1.0%	BWT SE	V
HOH SC	HOH Seychelles Desalination Company Limited, Victoria	50.0%	50.0%	BWT DK	V
BWT SE	BWT Vattenteknik AB, Malmö	100.0%	100.0%	BWT DK	V
BWT NO	BWT Birger Christensen AS, Asker	100.0%	100.0%	BWT DK	V
BWT FI	BWT Separtec OY, Raisio	100.0%	100.0%	BWT DK	V
Pharma SE	BWT Pharma & Biotech AB, Malmö	100.0%	100.0%	PLS Hold	V
BWT IT	BWT Italia S.R.L. (vormals: Cillichemie Italiana S.R.L.), Mailand	100.0%			V
W+M IT	BWT WATER & MORE ITALIA S.R.L., Bergamo	100.0%	99.8%	W+M DE	V
			0.2%	BWT IT	
Easy Aqua IT	Easy Aqua Italia Srl, Mailand	100.0%	100.0%	BWT NL	V
BWT ES	BEST WATER TECHNOLOGY Ibérica S.A. , Barcelona	100.0%			V
BWT Aqua	BWT AQUA AG, Aesch	100.0%			V
BWT HU	BWT Hungaria KFT, Budaörs	93.0%			V
Mimo	Mimo Park Kft, Budaörs	74.0%			V
BWT PL	BWT Polska Sp.z.o.o., Warschau	100.0%			V
BWT UA	BWT Ukraine, Kiev	100.0%	100.0%	BWT PL	V
BWT Barrier UA	TOO Barrier-Ukraine, Kiev	63.7%	100.0%	BWT Barrier RU	V
BWT CZ	BWT Ceska Republika s.r.o., Prag	100.0%			V
BWT RU	OOO BWT, Moskau	93.3%			V
BWT Barrier RU	AO "BWT BARRIER RUS" (vormals: ZAO METTEM	63.7%	26.0%	BWT AG	V
	-Technologies), Balashikha		74.0%	BWT Barrier Hold	
BWT AS RU	OOO Aquasystems, Moskau	63.7%	100.0%	BWT Barrier RU	V
Meory	OOO Meory, Moskau	19.9%	19.9%	AS Bet	V
Dacron	OOO Dacron, Balashikha	53.0%	84.2%	BWT Barrier Hold	V
			15.8%	BWT Barrier RU	
BWT CN	BWT Water Technology (Shanghai) Co. Ltd., Shanghai	100.0%			V
Pharma CN	Christ Aqua Pharma & Biotech (Shanghai) Ltd., Shanghai	100.0%	100.0%	PLS Hold	V
BWT Barrier DE	Barrier Water Filters GmbH, Berlin	51.0%	100.0%	BWT Barrier Hold	V
Alpha	SAS Alpha Industries, Quatre Champs	49.0%	49.0%	BWT FR	E
INET	INET InterEko Technik Spol. sr.o., Vysoká	49.0%	49.0%	hobbypool	E

F = Fully consolidated, E = Equity consolidated

Development of fixed assets (Appendix V.2.)

2016 in T€	ACQUISITION/PRODUCTION COST							
	1.1.2016	Exchange rate difference	Reclassifi-cations	Reclassifi-cation in accordance with IFRS 5	Company additions	Additions	Disposals	31.12.16
Intangible assets	66,943.9	–35.6	248.6	0.0	344.8	1,812.8	2,645.5	66,668.9
Goodwill	22,449.5	0.0	0.0	0.0	0.0	0.0	60.7	22,388.7
Other intangible assets	44,494.4	–35.6	248.6	0.0	344.8	1,812.8	2,584.8	44,280.2
Concessions, rights, licenses	35,237.1	–40.6	312.8	0.0	344.8	565.4	2,568.6	33,850.8
Development costs	8,085.1	2.5	0.0	0.0	0.0	287.7	0.0	8,375.2
Advance payments	1,172.2	2.5	–64.2	0.0	0.0	959.7	16.1	2,054.1
Property, plant and equipment	240,009.8	1,143.0	–248.6	0.0	157.0	25,307.3	5,346.8	261,021.6
Land and buildings	138,939.8	915.2	47.1	0.0	0.0	7,925.1	461.1	147,366.1
Land	23,575.4	296.9	0.0	0.0	0.0	4,734.9	0.0	28,607.1
Buildings	115,364.4	618.3	47.1	0.0	0.0	3,190.2	461.1	118,758.9
Technical equipment and machinery	47,084.5	386.2	567.5	0.0	0.0	2,491.9	1,394.3	49,135.8
Factory and office equipment	48,518.4	–365.0	179.8	0.0	157.0	4,654.6	3,413.4	49,731.3
Advance payments and assets under development	5,467.1	206.7	–1,043.0	0.0	0.0	10,235.6	77.9	14,788.5
Investment property (IAS 40)	1,594.1	0.0	0.0	0.0	0.0	0.0	546.8	1,047.3
TOTAL	308,547.7	1,107.4	0.0	0.0	501.7	27,120.1	8,539.1	328,737.8

2015 in T€	ACQUISITION/PRODUCTION COST							
	1.1.2015	Exchange rate difference	Reclassifi-cations	Reclassifi-cation in accordance with IFRS 5	Company additions	Additions	Disposals	31.12.15
Intangible assets	81,754.8	372.7	67.2	0.0	2,987.6	2,469.6	20,707.9	66,943.9
Goodwill	31,910.6	0.0	0.0	0.0	2,987.3	0.0	12,448.5	22,449.5
Other intangible assets	49,844.2	372.7	67.2	0.0	0.3	2,469.6	8,259.4	44,494.4
Concessions, rights, licenses	35,270.2	345.3	67.2	0.0	0.3	843.1	1,288.9	35,237.1
Development costs	14,574.0	27.4	0.0	0.0	0.0	454.2	6,970.5	8,085.1
Advance payments	0.0	0.0	0.0	0.0	0.0	1,172.2	0.0	1,172.2
Property, plant and equipment	226,825.8	2,777.7	–67.1	–2,365.1	7,984.6	11,974.9	7,121.0	240,009.8
Land and Buildings	132,339.0	1,969.5	409.4	–2,365.1	5,070.9	1,728.2	212.1	138,939.8
Land	22,400.7	774.7	0.0	–737.1	1,146.5	0.0	9.5	23,575.4
Buildings	109,938.3	1,194.7	409.4	–1,628.0	3,924.4	1,728.2	202.6	115,364.4
Technical equipment and machinery	40,794.2	–62.3	2,365.8	0.0	2,169.0	3,646.9	1,829.1	47,084.5
Factory and office equipment	46,997.8	932.9	369.8	0.0	244.2	5,045.8	5,072.0	48,518.4
Advance payments and assets under development	6,694.8	–62.3	–3,212.2	0.0	500.6	1,554.0	7.7	5,467.1
Investment property (IAS 40)	1,594.1	0.0	0.0	0.0	0.0	0.0	0.0	1,594.1
Total	310,174.7	3,150.3	0.0	–2,365.1	10,972.2	14,444.4	27,828.9	308,547.7

AMORTIZATION/DEPRECIATION							CARRYING AMOUNTS	
1.1.2016	Exchange rate difference	Reclassification in accordance with IFRS 5	Additions	Depreciation	Disposals	31.12.16	31.12.16	31.12.15
39,191.0	–11.3	0.0	2,525.9	120.0	2,629.7	39,195.8	27,473.1	27,752.9
3,772.8	0.0	0.0	0.0	0.0	60.7	3,712.0	18,676.7	18,676.7
35,418.2	–11.3	0.0	2,525.9	120.0	2,568.9	35,483.8	8,796.4	9,076.2
29,097.6	–13.8	0.0	1,918.2	120.0	2,568.9	28,553.1	5,297.7	6,139.5
6,320.6	2.5	0.0	607.6	0.0	0.0	6,930.7	1,444.5	1,764.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,054.1	1,172.2
103,591.5	–611.4	0.0	13,566.8	5,233.9	4,849.1	116,931.6	144,090.0	136,418.3
39,209.0	–181.3	0.0	5,133.9	1,117.7	90.2	45,189.1	102,177.0	99,730.8
100.9	0.0	0.0	41.1	0.0	0.0	142.1	28,465.1	23,474.5
39,108.1	–181.3	0.0	5,092.8	1,117.7	90.2	45,047.0	73,712.0	76,256.4
34,228.2	–101.6	0.0	3,012.8	1,451.1	1,374.3	37,216.2	11,919.6	12,856.2
30,154.2	–328.5	0.0	5,420.1	64.1	3,384.6	31,925.3	17,806.0	18,364.1
0.0	0.0	0.0	0.0	2,601.0	0.0	2,601.0	12,187.5	5,467.1
806.3	0.0	0.0	24.7	130.5	404.2	557.3	490.0	787.8
143,588.7	–622.7	0.0	16,117.3	5,484.4	7,883.0	156,684.6	172,053.1	164,959.0

AMORTIZATION/DEPRECIATION							CARRYING AMOUNTS	
1.1.2015	Exchange rate difference	Reclassification in accordance with IFRS 5	Additions	Depreciation	Disposals	31.12.15	31.12.15	31.12.15
46,394.0	260.4	0.0	3,052.5	10,140.7	20,656.6	39,191.0	27,752.9	35,360.8
7,122.8	0.0	0.0	0.0	9,098.5	12,448.5	3,772.8	18,676.7	24,787.8
39,271.2	260.4	0.0	3,052.5	1,042.2	8,208.1	35,418.2	9,076.2	10,573.0
26,739.2	233.0	0.0	2,320.7	1,042.2	1,237.6	29,097.6	6,139.5	8,531.0
12,532.0	27.4	0.0	731.7	0.0	6,970.5	6,320.6	1,764.5	2,042.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,172.2	0.0
93,304.6	1,375.8	–426.0	12,209.0	4,133.5	7,005.4	103,591.5	136,418.3	133,521.2
34,254.9	484.9	–426.0	3,799.6	1,257.5	161.8	39,209.0	99,730.8	98,084.1
0.0	0.0	0.0	0.0	100.9	0.0	100.9	23,474.5	22,400.7
34,254.9	484.9	–426.0	3,799.6	1,156.5	161.8	39,108.1	76,256.4	75,683.4
30,037.4	177.4	0.0	2,994.4	2,876.0	1,856.9	34,228.2	12,856.2	10,756.8
29,012.3	713.4	0.0	5,415.1	0.0	4,986.7	30,154.2	18,364.1	17,985.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,467.1	6,694.8
671.4	0.0	0.0	47.4	87.5	0.0	806.3	787.8	922.7
140,370.0	1,636.2	–426.0	15,308.9	14,361.6	27,661.9	143,588.7	164,959.0	169,804.7

Statement of all Legal Representatives

We confirm to the best of our knowledge that the consolidated financial statements as at 31 December 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the International Financial Reporting Standards (IFRSs) as applicable in the European Union (EU) and that the group management report as at 31 December 2016 gives a true and fair view of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Mondsee, on 1st March 2017

Andreas Weissenbacher	Gerhard Speigner
Chief Executive Officer, responsible for the operating business and the departments Research & Development, Purchasing, Human Resources, Marketing and Investor & Public Relations.	Chief Financial Officer, responsible for the departments Finance & Controlling, Treasury, Information Technology, Law, Taxes and Risk Management.

AUDITOR'S REPORT *

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

BWT Aktiengesellschaft, Mondsee,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2016 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements [and in accordance with any other regulations or requirements agreed] and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we will outline what we consider to be the most significant findings of our audit:

1. Measurement of goodwill – impairment test pursuant to IAS 36
2. Recoverability of deferred tax assets

1. Measurement of goodwill – impairment test pursuant to IAS 36

Description
The consolidated financial statements of BWT Aktiengesellschaft contain material goodwill from business combinations amounting to €18.7 million (previous year: €18.7 million).

Within the scope of the annual impairment test pursuant to IAS 36, the legal representatives have to make key assumptions and estimates of value in use, which are calculated using a discounted cash flow method. The recoverable amount is largely dependent on the discount rate used (WACC), as well as on anticipated and planned cash inflows contained in the medium-term planning and terminal values.

The material risk lies in estimating future cash flows for subsidiaries, which are used to determine the recoverability of goodwill, and in deriving the discount rate. These cash flow estimates include assumptions, which are influenced by future market and economic developments.

The notes providing an explanation of goodwill and its measurement are contained in the notes to the consolidated financial statements in the section on accounting policies for intangible assets and property, plant and equipment as well as in Note 9 (intangible assets and property, plant and equipment).

How this was addressed in the audit
To address this risk, we carefully examined the assumptions and estimates made by management and performed audit procedures, which included the following:

- Assessment of the methodology used, the computational accuracy of the presented documents and calculations, and the plausibility of the discount rates together with our internal measurement specialists
- Review of the planning documents as well as the plausibility and assessment of key value drivers (revenues, expenses, investments and changes in working capital) to check the appropriateness of these plans
- Assessment of the consistency of projected revenues and earnings as well as investments for CGUs (cash generating units) with plans approved by the Supervisory Board
- Examination of the completeness of information provided in the notes
- Performance of a risk analysis in the form of sensitivity analyses, downside measurement scenarios and deviation analyses

2. Recoverability of deferred tax assets

Description
The consolidated financial statements of BWT Aktiengesellschaft present deferred tax assets of €10.0 million as at 31 December 2016 (previous year: €11.7 million). Furthermore, deferred tax assets from tax loss carryforwards of €46.6 million are not recognised. This is because the company deemed their realisation improbable in the foreseeable future on the basis of the tax planning.

The assessment of the recoverability of deferred tax assets was especially important for our audit, given that the assessment process is complex and requires judgements. The assessment of the recoverability is based on assumptions, which are influenced by future market and economic parameters.

The principal risk lies in estimating future available taxable income and in determining the timing of this income. BWT AG derives taxable income planning on the basis of the budget and considers all amounts that are expected to be applied within the next five years to be recoverable.

The notes prepared by BWT Aktiengesellschaft on deferred taxes and income taxes are included in the consolidated financial statements in the section on accounting policies for taxes as well as in Note 8 (taxes on income) and Note 18 (deferred taxes).

How this was addressed in the audit
To address this risk, we carefully examined the assumptions and estimates made by management and performed audit procedures, which included the following:

- Assessment of the design and effectiveness of controls in the process of accounting for deferred taxes
- Congruence of projected revenues and earnings as well as investments with plans submitted to the Supervisory Board
- Analysis of the key drivers for future developments (revenues, expenses and investments) contained in the plans to check the appropriateness of these plans
- Verification of the divergences recognised between the values in the IFRS consolidated financial statements and tax law applied in the tax planning
- Assessment of the recoverability of deferred tax assets and determination of whether there are substantial indications of the existence of future taxable income
- Involvement of internal tax specialists for the performance of audit procedures in connection with accounting for deferred taxes

Responsibilities of Management and of the Supervisory Board for the Consolidated Financial Statements
Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or condi-tions that may cast significant doubt on the Group's ability to continue as a going concern. If we con-clude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transac-tions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion
In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement
Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Responsible Austrian Certified Public Accountant
The engagement partner on the audit resulting in this independent auditor's report is Mr. Erich Lehner, Certified Public Accountant.

Linz, on March 1, 2017

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner mp Certified Auditor	ppa DI (FH) Hans Seidel mp Certified Auditor

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated finan-cial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

SUPERVISORY BOARD REPORT OF BWT AKTIENGESELLSCHAFT

During the 2016 reporting year, the Supervisory Board of BWT Aktiengesellschaft performed the duties required of it under statutory provisions and the company's statute. The Supervisory Board did not establish any other committees except for the Audit Committee. All tasks are performed by the Supervisory Board as a whole.

In 2016, the Supervisory Board held four ordinary meetings, with an overall attendance rate of 95%, at which it informed itself of the business position, ongoing projects and plans of the BWT Group, as well as discussing and taking decisions on company strategy and items of business requiring approval as per the Management Rules of Procedure. Close coordination between the Supervisory Board, the Management Board and the auditors was also secured by a verbal and written exchange of information.

The Audit Committee held two meetings in 2016. At the meeting in March 2016, the separate financial statements of BWT Aktiengesellschaft in accordance with the Austrian Commercial Code (UGB) and the consolidated financial statements of the BWT Group for the 2015 financial year in accordance with IFRS were analysed in conjunction with the auditors and the Management Board. The auditors explained their audit procedures and presented the findings of their audit. The Audit Committee resolved to recommend approval by the Supervisory Board of the 2015 annual financial statements of BWT Aktiengesellschaft and the BWT Group, which were presented to it, as well as the Management Board proposal on the appropriation of net profit. At the meeting held in September 2016, the scope, timetable and priorities for the 2016 annual audit were fixed. At a meeting held with the Management Board and employees of BWT Aktiengesellschaft in November 2016, the Audit Committee personally appraised the design and effectiveness of the BWT Group's internal control system.

During the course of its four ordinary meetings in 2016, in addition to the ongoing monitoring of business development, the risk situation, and the results and business indicators within the Group, the Supervisory Board also dealt with preparations for the Annual General Meeting, the examination of various items of business requiring approval including company acquisitions and the purchase of a property in Denmark, various organisational measures throughout the Group and the state of proceedings in connection with the planned merger of BWT Aktiengesellschaft with its subsidiary BWT Holding AG. The auditing and approval of the BWT Group's budget for 2017 was high on the agenda at the meeting in December 2016. In December, the Supervisory Board finally approved the appointment of Mr Gerald Steger to the Management Board (COO for the Point of Use segment) with effect from 1 April 2017.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Linz, the auditors appointed on 1 July 2016 at the 26th Ordinary Annual General Meeting of the company, audited the annual financial statements and the management report of BWT Aktiengesellschaft as well as the consolidated financial statements as at 31 December 2016, and subsequently issued the following audit opinion:

a) BWT Aktiengesellschaft: "In our opinion, the annual financial statements comply with the legal requirements and provide a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2016 and of the company's profit or loss for the financial year then ended in accordance with the provisions of Austrian corporate law."

"In our opinion, the management report has been prepared in accordance with the applicable legal requirements, contains appropriate disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) and is consistent with the annual financial statements."

b) BWT Group: "In our opinion, the consolidated financial statements comply with the legal requirements and provide a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2016 and of the Group's profit or loss and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU (IFRS), and the additional requirements under Section 245a of the Austrian Commercial Code (UGB)."

"In our opinion, the group management report has been prepared in accordance with the applicable legal requirements, contains appropriate disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) and is consistent with the consolidated financial statements."

The separate financial statements of BWT Aktiengesellschaft as well as the consolidated financial statements for the 2016 reporting year, including the Corporate Governance Report pursuant to Section 243b of the Austrian Commercial Code (UGB), were submitted to all members of the Audit Committee and the Supervisory Board for their examination immediately after completion of the audit. The results were analysed in detail at a meeting held in conjunction with the auditors and the Management Board.

The Supervisory Board approves the annual financial statements of BWT Aktiengesellschaft, as well as the consolidated financial statements as at 31 December 2016, including the Corporate Governance Report, that were prepared by the Management Board and accepted by the Audit Committee. The financial statements are therefore adopted in accordance with Section 96 (4) of the Stock Corporation Act (Aktiengesetz). The Supervisory Board also agrees with the Management Board's proposal on the appropriation of net profit.

Linz, 6th March 2017

Dr. Leopold BEDNAR
Chairman of the Supervisory Board

Financial definitions

Book value per share	Equity per share
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
Depreciation	Depreciation and amortisation for fixed assets considered in the income statement (profit and loss account)
EBT	Earnings Before Taxes
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
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; consolidated net earnings after minority interests divided by the weighted number of shares minus own shares
Equity method	Group accounting policy for interests for which the Group has a significant influence over their financial and operating policies.
Forward exchange transaction	Currency transaction, where the fulfilment takes place not immediately after transaction, but at a later time; for hedging changes in currency exchange rates
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
IFRS	International Financial Reporting Standards
Market capitalisation	The number of shares multiplied by the share price.
Net debt	Balance from financial liabilities minus liquid assets; opposite: net cash
NOPAT	Net Operating Profit After Tax
Operating cash flow	Operating cash flow is a flow of funds that generates cash inflow from business operations within a period.
P/E	Price-earnings ratio; measure for the valuation of a share on the equity market
Profit-turnover ratio	Result after taxes in relation to turnover
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
Tax accruals/deferrals	Temporally deviating estimated values in IFRS accounting and tax accounting of the subsidiaries and from consolidation procedures
Treasury	Company function for securing the financing, the financial risk and cash management (see there) of the company

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	Ultrapure water: Highly purified water used, for example, in pharmaceutical applications. According to the European Pharmacopeia, this water must have an electrical conductivity (mass of dissolved salts) of less than 1.1μS/ cm. The manufacturing processes of reverse osmosis and distillation are used.
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.
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.

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