BWT Annual Report 2010

BEST WATER TECHNOLOGY

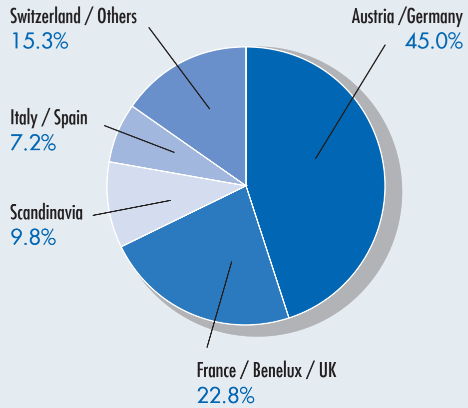
For You and Planet Blue.

Overview		IFRS	IFRS	IFRS
		2010	2009	2008
Consolidated group sales	€ m	460.7	400.7	410.2
EBITDA	€ m	47.2	45.7	40.2
EBIT	€ m	31.5	26.8	29.2
Earnings before taxes	€ m	31.2	30.3	27.0
Consolidated net earnings	€ m	22.8	23.1	20.6
Cash flow from operating activities	€ m	34.3	49.7	28.1
Number of shares (31/12)	million	17.2	17.4	17.5
Earnings per share	€	1.32	1.32	1.16
Dividends and bonus per share	€	0.40*	0.40	0.38
Investment in tangible and intangible assets	€ m	14.9	9.7	16.6
Equity	€ m	163.9	152.8	138.2
Employees as of 31/12	persons	2,820	2,701	2,389

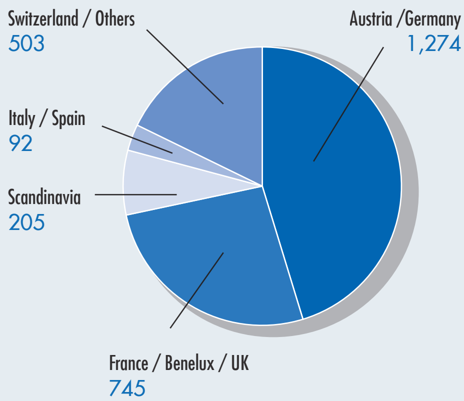
*) Proposal to the AGM **) Spin-off of AST-segment as of end October 2005

Summary of balance sheet	2010		2009	
ASSETS	€ m	%	€ m	%
Long-term assets	146.4	45.6	146.2	46.4
Short-term assets	174.7	54.4	168.8	53.6
TOTAL ASSETS	321.1	100.0	315.0	100.0
EQUITY AND LIABILITIES	€ m	%	€ m	%
Equity	163.9	51.0	152.8	48.5
Long-term liabilities	40.8	12.7	46.0	14.6
Short-term liabilities	116.4	36.3	116.1	36.9
TOTAL LIABILITIES	321.1	100.0	315.0	100.0

Sales 2010 by business segment (in %)



Employees by business segment as of 31/12/2010

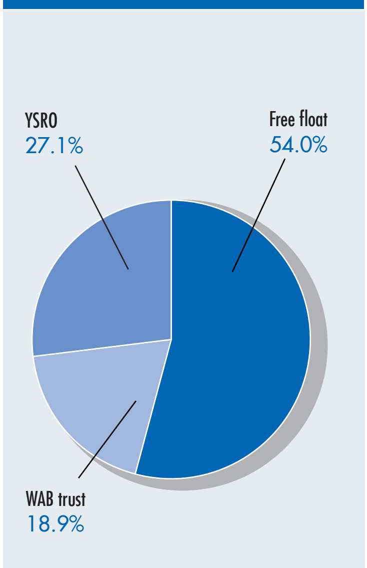


IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
2007	2006	2005**	2004	2003	2002	2001	2000
397.5	362.0	463.5	488.1	416.0	431.0	419.5	399.0
45.3	40.9	36.8	37.8	28.0	39.7	39.6	37.4
36.3	32.6	27.0	24.9	13.6	24.4	26.1	25.2
35.3	31.8	25.7	22.9	11.4	20.4	21.4	22.2
26.3	22.2	19.0	17.1	7.7	15.2	15.2	15.4
22.5	26.9	26.4	33.9	28.7	31.6	4.3	27.9
17.8	17.8	17.8	17.8	17.8	17.8	17.8	16.5
1.48	1.24	1.06	0.96	0.43	0.85	0.90	0.93
0.38	0.35	0.30	0.27	0.24	0.24	0.22	0.22
13.9	10.2	11.2	10.3	6.3	9.6	14.9	16.7
129.6	109.2	93.3	137.7	124.3	123.4	111.2	97.9
2,354	2,202	2,007	2,780	2,688	2,466	2,511	2,510

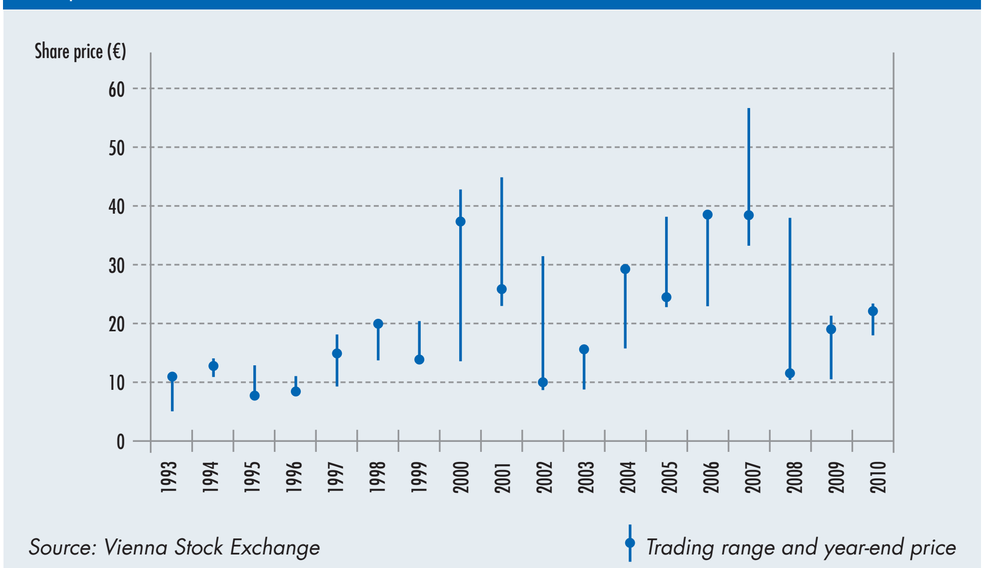
Share price		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
High	€	23.22	21.84	35.94	53.69	36.63	36.15	27.84	14.84	29.81	42.50	40.60
Low	€	17.97	10.26	10.00	31.54	21.78	21.65	15.25	8.60	8.39	21.90	13.04
Closing price	€	22.00	19.39	11.00	36.40	36.50	23.25	27.84	14.79	9.65	24.50	35.35
P/E (closing price)		16.7	14.7	9.5	24.6	29.4	21.9	29.0	34.4	11.4	27.2	38.0
Market cap in million	€	392	346	196	649	651	415	496	264	172	437	583

IPO price 1992: € 7.45

Shareholder structure



Share price chart 1993 – 2010



Group results 2010

Foreword by the Chairman of the Executive Board

Dear Shareholders,
esteemed Business Partners,


Andreas Weissenbacher, CEO

BWT - For You and Planet Blue – we are becoming visible. In 2010, with the "BWT – go to market" strategy and the decision in favour of a 75-million euro investment programme over the next two years, we fired the starting shot into a new era of BWT company history, which will carry our brand all the way to the end consumer. With this Annual Report too, we want to provide an opportunity to get better acquainted with us and our leading position in water technology, because many new customers, partners, investors and perhaps also new employees will be happy to learn more about our company.

In 2010 we made great progress: in a very mixed economic environment in Europe we were also able to become successfully established in the UK with an acquisition, to increase revenues and operating earnings, to continue to improve the appearance of our balance sheet, and thus to create the conditions for substantial investments in new facilities and the BWT brand name, and thereby to bring about stronger organic growth in the next few years.

After the global economy had experienced the worst recession since 1945 in 2009, the year 2010 was on the one hand dominated by economic recovery, but on the other by the debt crisis in several European countries. Around the world there was an upturn in economic activity – often supported by massive fiscal and monetary policy measures, whereas China rather pursued a slow-down of its economy which had been running at high speed. Real economic growth (GDP) prospectively amounted to +2.7% (following -2.6% in 2009) in the USA and +1.7% (2009: -4.0%) in Euroland, although in Europe there was a significant disparity with good growth in Central Europe and weak figures above all in Southern Europe.

Precisely the debt crisis faced by several countries makes us realise how important economic sustainability is – besides the social and ecological dimension. We therefore devoted special attention to cash flows in 2010 as well, and were again able to reduce our net debt. If we include the 643,113 own shares, we were even in the black in net terms as at 31 December 2010. The equity ratio was 50.2% following 48.5% in the previous year. At the same time we continued our asset investments of over € 15 million, paid out a dividend increased to € 0.40 (distribution of € 6.9 million) and repurchased 243,256 shares (€ 4.8 million). Primarily as a result of acquisitions, revenues increased by 15.0% to € 461 million.

Important impulses for growth came from the Pharma & Biotech Division and BWT UK, taken over in the middle of the year and with which we managed to leap into the UK. On the organisational side, we particularly achieved progress with Point-of-Use products and reaped the fruits of our as yet recent water softeners as well as a good demand for Service and Spare Parts in customer service.

The regional trend in revenues varied greatly, similar to general economic conditions. While Central Europe developed well, there were significant declines in Southern and Northern Europe, and Eastern Europe was stable on average. On the other hand, the Point-of-Use segment saw a marked increase and now accounts for a share of 6.3% in Group revenues - in the previous year it was still 5.0%.

EBIT was able to be increased above all as a result of the earnings of the new companies and lower write-downs, from € 26.8 million to € 31.5 million. A positive special effect of € 4.5 million in the previous year's financial result from the sale of an equity interest in April 2009 was almost offset by the higher EBIT. The net result was therefore € 22.8 million, after € 23.1 million the previous year. The profit per share was € 1.32 after € 1.32 in the previous year. Operating cash flow reached € 34.3 million as against the record of € 49.7 million in the previous year and enabled our group of companies to develop further dynamically in a challenging economic environment.

In 2010, apart from the acquisition of Culligan Domestic Technologies in the UK (BWT UK), we continued our investment programme at the existing sites. At the Aesch site, the activities of Christ Aqua and Pharma & Biotech were drawn together into a single building with a corresponding capital expenditure relating to expansion, as a result of which an old building could be sold. In Mondsee, a start was made to construction works to expand the Point-of-Use activities above all.

Our expenditure for research and development in 2010 came to € 10.9 million (following € 10.8 million the previous year). The BWT Group has four research and development centres which are connected with production facilities in Austria, Germany, France and Switzerland. The task of employees in BWT's development departments is to create new products and processes and develop existing ones. The need to conserve resources, quality, functionality, security and cost optimisation are key considerations in all development work. In 2010, important development projects were worked on for the Point-of-Entry and Point-of-Use segments:

In the Point-of-Use Consumer segment and in the tank cartridges segment, the range of table water filter systems, filter cartridges and tank cartridges was optimised and adapted to new market requirements in 2010. With the development of the "bestarsenic" and "bestlead" filters, modern compact filter systems were developed to reduce concentrations of arsenic and lead in drinking water.

For the Point-of-Entry business, new ones were developed in the case of particle filters, softeners and reverse osmosis systems. In 2010, the development of a system for measured doses of granulated chlorine in swimming pools was also completed. With this compact SPS-steered system, the granulate is sucked in without dust forming, dissolved, thinned and measured.

In December 2010 we received the patent for our magnesium Mg^{2+} technology. Now that the patent has been issued, the BWT Group is preparing to launch the new table water filters and coffee machine filters. The new magnesium Mg^{2+} technology revolutionises ion exchange in the case of water filters and replaces sodium with magnesium. Magnesium is an important conveyor of taste in drinking water. A wholly new taste experience is offered to the gastronomy professional and his guests, as well as to the consumer. With the new BWT table water filters and Bestmax Premium filters, drinking water from water pipes, tea and coffee become a real tasty pleasure.

The predominantly welcoming trends have continued on the stock markets. After the good recovery in 2009, the leading US stock markets initially had to accept losses in the first half of 2010, but, as a result of good consumption and company data and the Federal Reserve and the US government's continuing massive economic support measures, they were able to reach 11,577 points at the end of the year, which corresponds to an annual growth of 11% (2009: +19%). In Germany, the German share index, the DAX, rose by about 16% (following +24%), while the Austrian ATX performed equally well, also gaining by 16% (following +52% in the previous year). The BWT share gained 13% (2009: +76%) and reached a level of € 22 at the end of the year. By participating in investor conferences and roadshows as well as in local bank events, we continued our active and open communications policy, with interest finally increasing again on the part of investors.

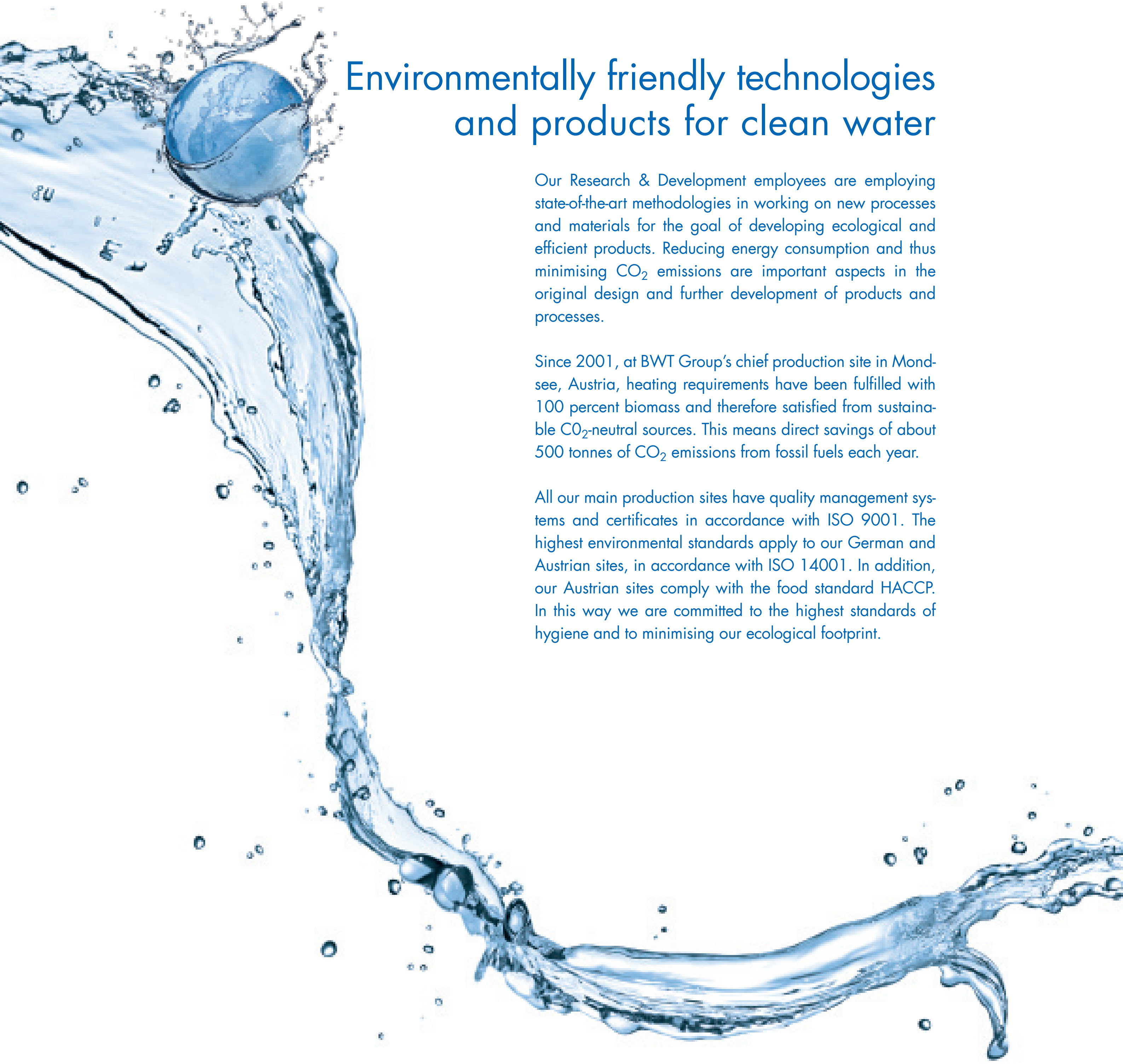
I would like to take this opportunity to thank our Supervisory Board for its very constructive and active cooperation over the past year. I would also like to warmly thank all our highly motivated employees for their commitment.

With the 75-million-euro investment programme for 2011-2012 we are not only making a great commitment to our sites in Europe and Austria, but also to the people who live and work here. However, important elements of this transformation phase of the Company all the way to the end consumer also constitute a further development of our corporate culture and organisation, in which all employees (male and female) are involved. The extension of the BWT brandname at the end consumer offers great opportunities – both for our as yet fledgling Point-of-Use business and our Point-of-Entry business in sales with our partners, which is already today stirring a total of 35,000 people in the whole of Europe.

Dear shareholders, business partners and friends of BWT, my sincere thanks to you for the trust you have put in us up to now. Safety, hygiene and health in our contact with water, the elixir of life, together with first-class water treatment, provide opportunities that we will use. I would be delighted to see you continue along this path together with us in the future too.

Yours

For Planet Blue.



Environmentally friendly technologies and products for clean water

Our Research & Development employees are employing state-of-the-art methodologies in working on new processes and materials for the goal of developing ecological and efficient products. Reducing energy consumption and thus minimising CO_2 emissions are important aspects in the original design and further development of products and processes.

Since 2001, at BWT Group's chief production site in Mondsee, Austria, heating requirements have been fulfilled with 100 percent biomass and therefore satisfied from sustainable $C0_2$-neutral sources. This means direct savings of about 500 tonnes of CO_2 emissions from fossil fuels each year.

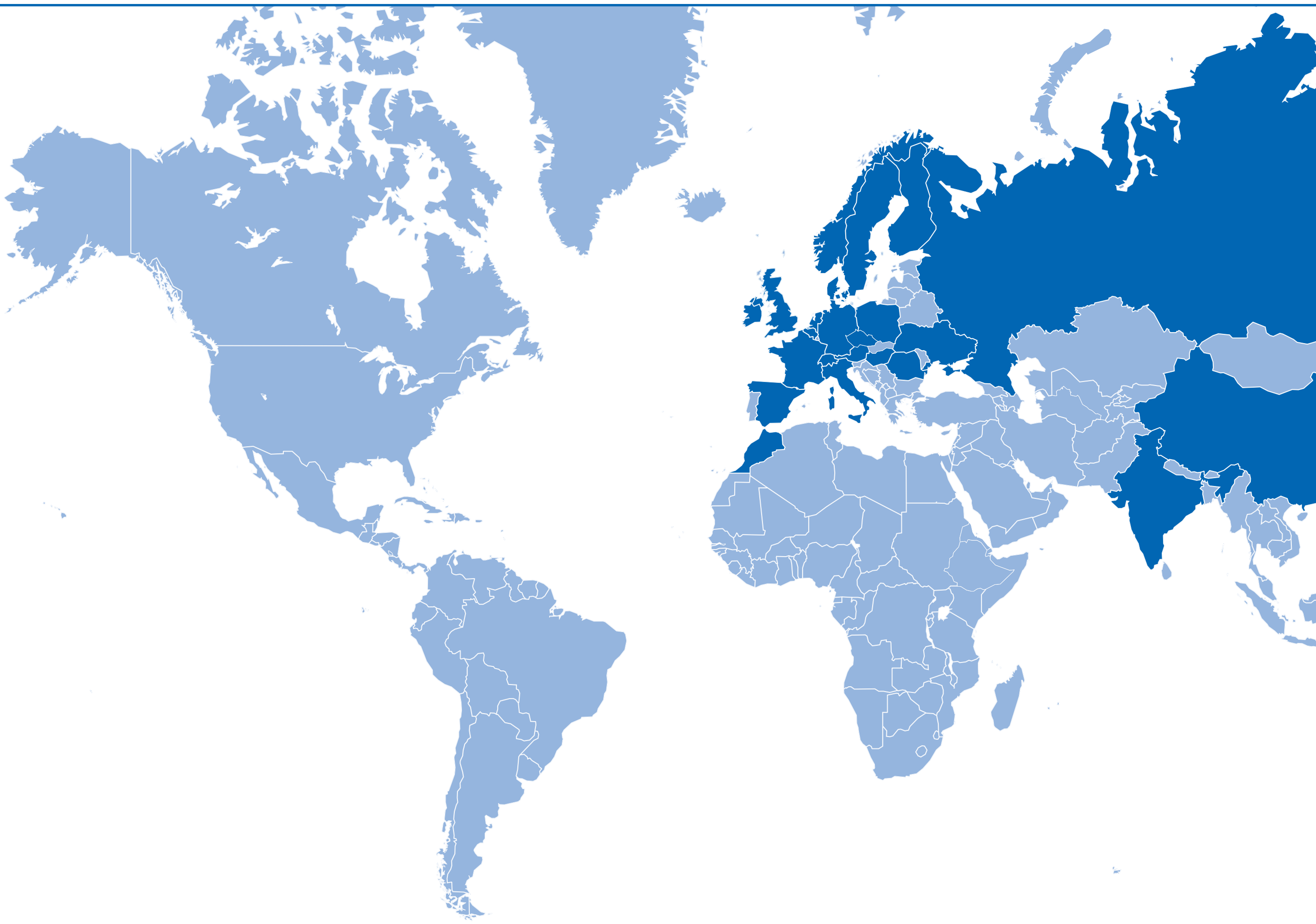
All our main production sites have quality management systems and certificates in accordance with ISO 9001. The highest environmental standards apply to our German and Austrian sites, in accordance with ISO 14001. In addition, our Austrian sites comply with the food standard HACCP. In this way we are committed to the highest standards of hygiene and to minimising our ecological footprint.

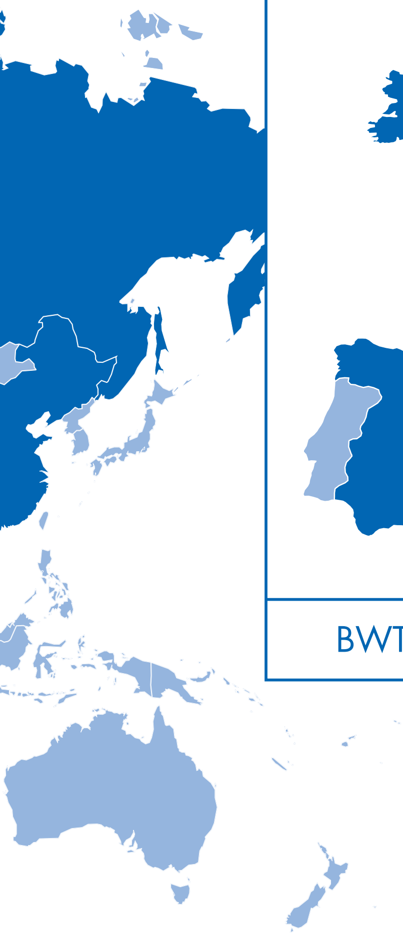
BWT
BEST WATER TECHNOLOGY
For You and Planet Blue.

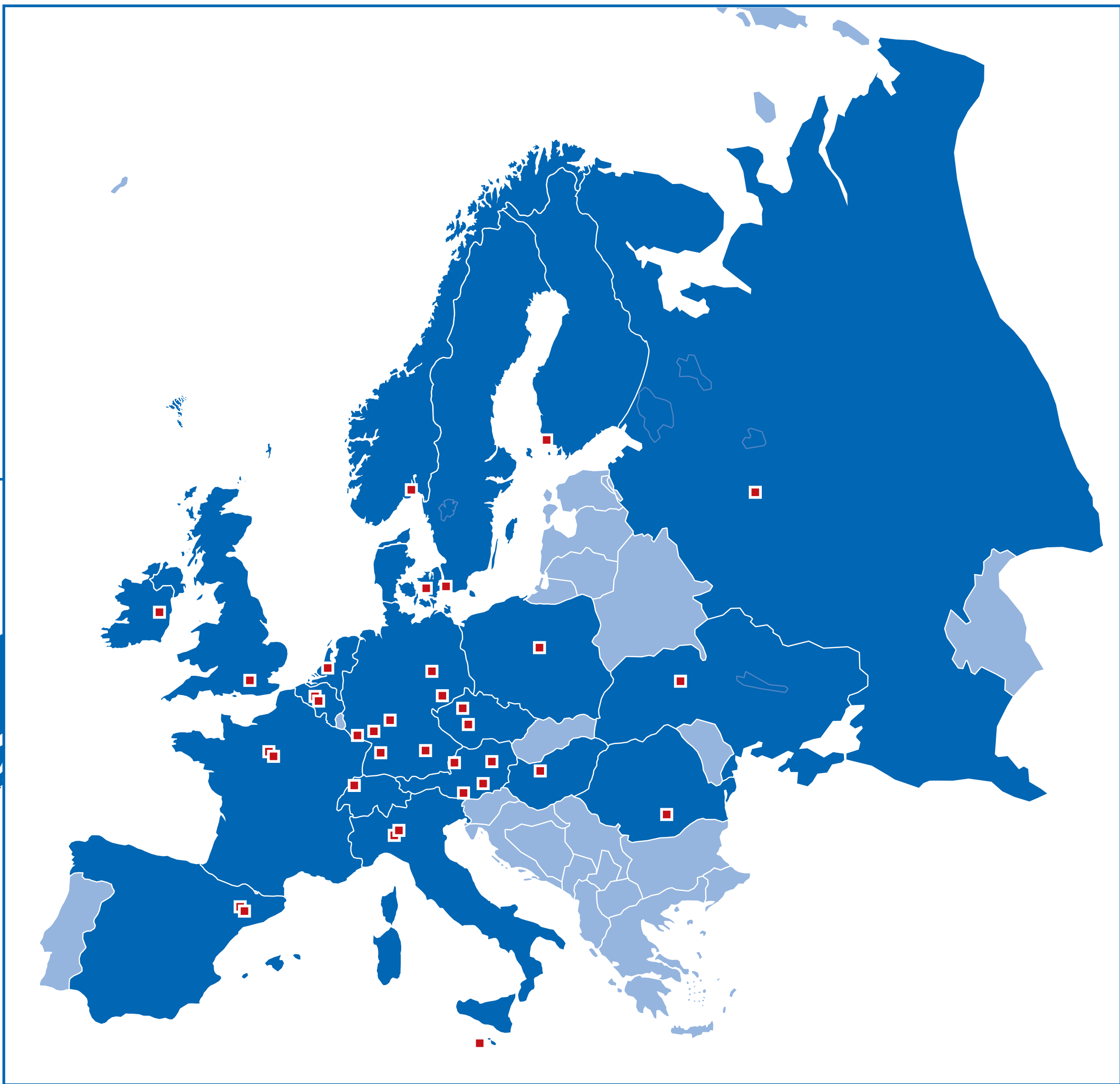
BEST WATER TECHNOLOGY

BWT – Europe's leading water technology group

- **70 subsidiaries and associated companies**
- **4 production locations**
- **2,820 employees**
- **461 million € sales**
- **Research and development departments in France, Germany, Switzerland and Austria**
- **World leading know-how in all areas of water treatment**







BWT • Cillit • Permo • Christ Aqua • water+more • HOH • fumatech

Supervisory Board

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

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

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

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

Klaus Reinhard Kastner, MBA, Munich
Branch manager of Raiffeisen Landesbank Oberösterreich Aktiengesellschaft,
Office Southern Germany; member of the Supervisory Board of BWT AG since 2001.

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

Management Board

Gerhard Speigner
Chief Financial Officer (CFO)
since 1996

responsible for the departments Finance & Controlling, Treasury, 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.

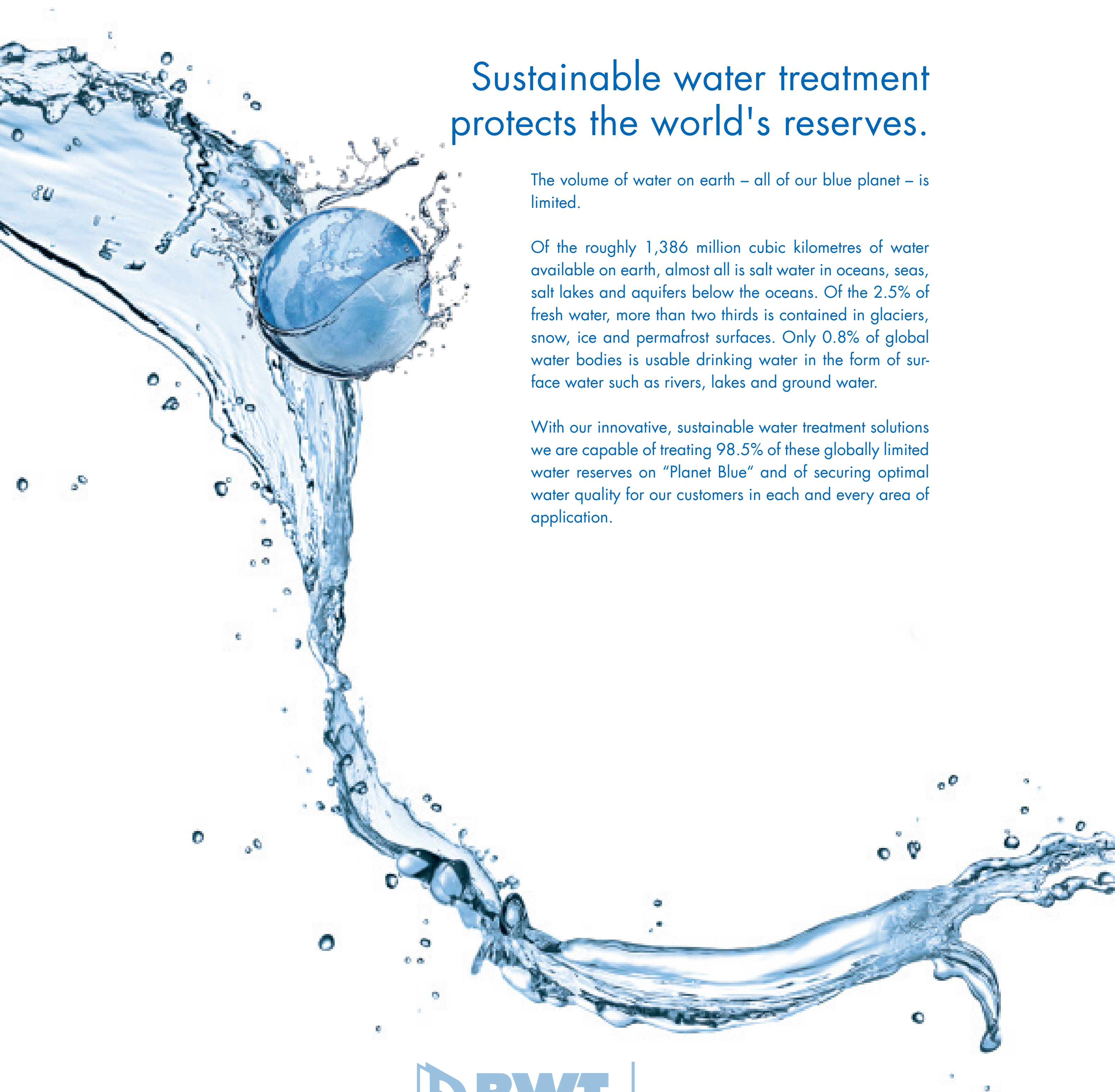
For Planet Blue.

Sustainable water treatment protects the world's reserves.

The volume of water on earth – all of our blue planet – is limited.

Of the roughly 1,386 million cubic kilometres of water available on earth, almost all is salt water in oceans, seas, salt lakes and aquifers below the oceans. Of the 2.5% of fresh water, more than two thirds is contained in glaciers, snow, ice and permafrost surfaces. Only 0.8% of global water bodies is usable drinking water in the form of surface water such as rivers, lakes and ground water.

With our innovative, sustainable water treatment solutions we are capable of treating 98.5% of these globally limited water reserves on "Planet Blue" and of securing optimal water quality for our customers in each and every area of application.



BWT BEST WATER TECHNOLOGY | For You and Planet Blue.

BWT – For You and Planet Blue.

Water – a global challenge

As water is able to dissolve numerous substances in large amounts, it seldom occurs naturally in pure form. In the form of precipitation, rain or snow absorb carbon dioxide or other gases, as well as traces of organic and inorganic substances from the atmosphere. In contact with the earth, water reacts with the minerals in the soil and in rocks. Surface and groundwater primarily contain sulphates, chlorides and hydrogen carbonate of sodium and potassium as well as calcium and magnesium. Increasingly, however, substances caused by mankind are also found in water (e.g. plant protection agents, drugs).

There are alternative sources of energy, but there are no alternatives to water. The amount of water on Earth does not change. There are approx. 1.386 billion cubic kilometres of water on our planet. Almost all of this is salt water, contained in oceans, seas, salt lakes and in aquifers under the oceans. Only a small part of the water available on Earth can therefore be used directly as drinking water. Every day, BWT researches into, develops and works on innovative solutions for the treatment of 98.5% of the world's available water. That is 1.32 billion km^3.

The quality of drinking water is defined by standards set by the World Health Organisation (WHO), on which the EU's Drinking Water Directive (EU-Directive 83/98) and national regulations on drinking water are based. Furthermore, there are national norms and certifications of processes and materials pertaining to drinking water, such as the DVGW. Such regulations stipulate, for example, the substances to be tested for in drinking water and the associated permitted threshold values (e.g. in mg/l) as well as the frequency of the measurements to be carried out. One problem is that not all possible or known contaminants can be identified by such analyses. 1,550 substances of anthropogenic origin can easily be found in water.

Thresholds for selected substances suspended in water:

Substance (mg/l) for example:	WHO Guidelines 2008	EU drinking water directive 98/83/EG 1998	TWVO (D) 2001
Nickel	0.07	0.02	0.02
Lead	0.01	(0.025 2013) 0.01	(0.025 2013) 0.01
Manganese	0.1	0.05	0.05
Chloride	–	250	250 (A: 200)
Sulphate	–	250	240
Nitrate	50	50	50
Nitrite	0.2 lf./3 kf.	0.5	0.5
Ammonium	–	0.5	0.5
Escheria Coli	0	0	0

Furthermore, under the Austrian (German) drinking water directive, the allowable number of colony forming units is under 100/ml, the pH-value should be between 6.5 and 9.5, and the water is not allowed to be corrosive (conductivity limited to 2,500µS/cm).

The World Health Organisation (WHO) requires 200 substances to be tested for, due to their known effect on health. Pursuant to the EU drinking water directive, 48 microbiological and chemical parameters are tested regularly and member states are not permitted to set lower standards. The German

drinking water directive specifies a total of 33 substances that may possibly be present in water and their associated threshold values, which must be tested for in a full examination of drinking water. However, an indicator principle is implemented, so that the probability of contamination with related substances can be estimated in groups. Thus, Escherichia coli stands for all faecal germs, and the total of mercury, lead and cadmium for all heavy metals.

Water treatment – Factors driving growth

For BWT as a stock-exchange listed company, water is an entrepreneurial task. The importance of water treatment is increasing further due to a wide range of factors:

The global population is continuing to grow

The population of the world today is about 6.9 million people, and the UNO forecasts that it will grow to 9.2 billion by 2050. Despite global progress, about 1.1 billion people still do not have enough clean water to live decently.

Eating habits are changing

Food production uses 70 times as much water as do private households. To produce, for example a kilogramme of wheat or flour, you need a total of about 1,000 litres of water for irrigation. 140 litres of water are needed for a cup of coffee. About 15,000 litres are needed for a kilogramme of meat. This takes the form, for example, of drinking water for the animals and irrigation for fodder crops.

Eating habits are changing as income rises. In a highly-developed country such as Germany, 150 litres of coffee, 131 litres of mineral water, 102 litres of beer and 83 kilogrammes of meat are consumed per head per year. Global consumption of coffee rose by 25% between 2000 and 2009. Meat consumption is growing extremely quickly throughout the world. The UN Food and Agriculture Organisation (FAO) is warning about risks for the environment, climate and health. In developing countries, meat consumption more than doubled between 1980 and 2005, increasing to 30.9 kilos per person per year, while in the industrialised nations it rose from an annual 76 kilogrammes to 82 kilogrammes. In China, consumption quadrupled to 59.5 kilos.

Resources are overstretched

Water stress arises when the volumes of water used exceed its availability. There are two ways in which water stress is defined. In one, water stress is assumed where there is less than 1,700 cubic metres of water per head and year. In the other, the method used by the UN, water withdrawal is compared to the supply of renewable water (precipitation, groundwater regeneration). This produces water stress if the annually withdrawn volume exceeds 20% of the renewable supply. We refer to a high level of water stress when 40% is exceeded. Already today, over 40% of food worldwide is produced with artificial irrigation. About 20% of global water needs are covered by groundwater and this proportion is growing rapidly. According to the most recent estimates, 1.4 billion people live in river basins which are in danger of drying up. Freshwater stress has dramatic consequences locally. Some once powerful rivers now only carry a fraction of the water volume they once did, and in many regions groundwater levels are falling.

More and more people live in cities

The number of cities with a population of over a million rose from 86 in 1950 to 429 in 2009, and it will growth further. While only 29% of people were city-dwellers in 1950, now over 50% are. The current forecast is that this will increase to 70% in 2050. Cities obtain most of their water from groundwater reserves. In many cases, the volume withdrawn exceeds the natural ability of the sources to regenerate, and the groundwater level drops.

Ageing infrastructure

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

Increasing requirements for water quality

In many countries, the population not only suffers from having too little water available, but also from its quality being not being high enough. Nitrate, arsenic, heavy metals and bacteria contaminate surface water and groundwater and can result in serious illness and even death.

New contaminants in water

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

Health awareness increasing

Water is also a lifestyle product for many people. In Germany, consumers can choose from about 500 different brands of water. Worldwide, sales of bottled water more than doubled from 2000 to 2005. Many people drink bottled water, because they perceive the quality of normal drinking water as not being high enough.

Climate change

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

The watercourse of the large rivers with a snow-glacier regime will change dramatically according to the European river basin organisation (Europe-INBO 2010). Firstly, in the summer, the inflow will rise as glaciers increasingly melt, then the effect will be reversed and, before the year 2100, the winter river will rise by 20%, but in spring fall by 17% and in summer by up to 55%, in particular in the Southern and Central Alps. The groundwater levels in the Southern Alps could fall by 25%. The number and extent of floods will increase, especially in autumn, winter and spring, and the dry periods will increase in the summer. The other consequences of climate change in the mountains will be:

- Strong erosion
- Deterioration in river water quality
- Increases in water temperature

A further threat to freshwater resources is the global decline in wooded areas. Forests play an essential role in the regulation of freshwater and in maintaining water quality. Both the quantity and quality of the water available to households, agriculture, industry and for leisure purposes will be determined by the existence and health of forests. Although global deforestation declined from 16 million hectares in the 90s to about 13 million after 2000, and Europe and Asia are even seeing increases again, nevertheless, 5.3 million hectares are lost annually according to the FAO Global Resources Assessment 2010. This has serious consequences for the water balance.

Water – The market

According to a new study by Deutsche Bank (February 2010), there is a global need for investment in the global water economy of 400 billion to 500 billion euros. The state alone will not be able to raise the necessary funds to overcome the challenges ahead. An enormous sales potential is forecast for the producers of water technologies over the coming years. Demand for efficient irrigation technologies, desalination plants for seawater and treatment plants, technical equipment, filtration plants or disinfection processes will probably increase particularly sharply.

Goldman Sachs (2008) estimates the global water market to be worth USD 425 billion with a long-term growth trend of an estimated 4% to 6%. In the industrialised nations, within the next few years, growth of 3% to 5% (US and Western Europe) is expected due to improvements in existing water and wastewater infrastructure, while in developing markets growth of 10% and more is expected (China and India) due to the construction of new water and wastewater infrastructure. The largest growth is being seen in the technologically more challenging area of water treatment through filtration, ultrafiltration, desalination, recycling and water testing.

The target market of the BWT Group comprises small, compact water treatment products for households, buildings and the pharmaceutical industry, a market that is worth about USD 11 billion globally and whose average annual growth is about 5%. Differences in market saturation lead us to expect above-average growth in the emerging market countries of Eastern Europe and Asia. The market structure is mostly dominated by local providers; BWT is one of the companies operating internationally, and is the leader in Europe with a market share of about 30%.

For You.

Our Customers and Partners.

Our customers in private households, business, industry, municipalities, hotels and catering are offered innovative, economical, ecological treatment technologies to always have optimal water quality for their specific applications: soft BWT pearl-water under the shower, vital, valuable drinking water thanks to the patented Magnesium Mg^{2+} technology, hygienically impeccable pool water, optimal water for best taste for coffee and other hot drinks to pure and ultrapure water for the beverage and pharma and biotech industry – with BWT products and processes, our customers are always sure to receive the best technologies for the utmost safety, hygiene and health for the life elixir water.

With our distribution partners, planners, architects, wholesalers and installers, we are expanding the BWT drinking water professional network - our courses, sales support and partner news on our websites, together with the biggest range of products in this industry, represent a unique offer.

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BWT – For You and Planet Blue.

Highlights 2010

- BWT extends technological leadership
- Launch of new innovations at the Point of Use and Point of Entry
- Sales € 460.7 million, EBIT € 31.5 million
- Strong operating cash flow: € 34.3 million
- New subsidiary in the UK: BWT UK
- Equity ratio rises to 51.0%, gearing falls to 6%
- Dividend at € 0.40 per share

BWT Value Strategy

VISION
BWT – The Leading International Water Technology Group

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

FINANCING OF GROWTH
Long-term from organic cash flow

ECONOMIC ENVIRONMENT

Following on from 2009, when the world economy experienced the worst recession in history since 1945, the year 2010 was marked by economic recovery but also by the debt crisis gripping certain European countries. Economic activity around the world picked up again, often aided by major fiscal stimulus packages and monetary policy measures. Real economic growth (GDP) is expected to be 2.7% (after having fallen back 2.6% in 2009). The euro zone, so important for the BWT Group, recorded growth of 1.7%, following a decline of 4.0% in 2009 while, according to preliminary figures, growth in Germany even improved by as much as 3.6% compared to a downturn of 4.7% in 2009.

Growth in GDP (%)	2008	2009	2010*	2011*
Austria	2.0	–3.9	1.9	1.7
Germany	1.0	–4.7	3.6	2.5
France	0.3	–2.5	1.5	1.4
Italy	–1.0	–5.1	1.0	1.1
Spain	1.2	–3.7	–0.2	0.5
Switzerland	1.8	–1.9	2.8	1.8
Poland	4.9	1.7	3.8	4.4
Eurozone	0.6	–4.0	1.7	1.4
USA	0.4	–2.6	2.7	2.0
Japan	–0.7	–5.2	3.0	1.2

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

Whereas the ailing EU peripheral countries (predominantly Ireland, Greece, Spain and Portugal) had to realign their public finances by implementing austerity measures and tax increases, which negatively impacted their economic performance, the economic situation is booming in the core countries of the euro zone. The all-important export sector is being bolstered by the weak euro in particular. Germany is playing a leading role in the export sector and is a dominant force with its strong economic growth. The trend in the employment market is particularly encouraging and the unemployment rate of 7.5% is at its lowest point since reunification. Price increases in the euro zone remained below-average in 2010 with inflation at 1.6%. Prices began to rise from the mid-year point in certain EU member countries, not least because of the increase in taxes on consumption. Preliminary figures for the end of the year put the percentage price increase at 2.2%.

GDP in Austria developed more positively than in the rest of the euro zone in 2010 at an estimated 1.9%. GDP plummeted by 3.9% in the previous year. The proximity of the Austrian economy to the growth engine of Germany had a particularly positive impact.

The CEE countries drew particular benefit from the significant rise in economic performance in Germany and reported average growth of 3.1% in 2010 after a 1.9% downturn in economic performance in the previous year. During the crisis itself, Poland proved itself to be a key economic force for growth and also posted increased growth in 2010 in comparison with other EU member states in Central Europe. Whilst the Czech Republic was able to mirror this trend with growth of 2.2% and greater-than-anticipated domestic demand, growth rates in both Hungary (1.0%) and Slovenia (0.9%) trailed somewhat behind the rest of Central Europe.

Asia's economy looks set to achieve real economic growth of 7.9% in 2010. Virtually all Asian countries have seen a transition from public incentives for growth to measures for strengthening consumer demand in 2010. China is the real driving force for growth in the region. Increasing retail sales and positive production figures for industry all point to stabilising consumer demand. In 2010, real economic growth in China is an estimated 10.0%. India's economy also performed considerably better than expected. The driving force for growth here was domestic demand, driven by consumer spending. Robust corporate profits and favourable financing also serve to bolster investment growth. In 2010, real economic growth (GDP) in India was an estimated 8.7%.

As was the case in 2009, all the major central banks pursued a predominantly expansive monetary policy in 2010. In addition to a consistently low base rate of 1% (ECB) or within the range of 0-0.5% (Fed), both major central banks extensively bought up government bonds. The US stimulus programme amounts to a total of USD 600 billion (to run until June 2011), and the ECB bought back government bonds totalling EUR 73 billion up until the end of 2010. A "protective umbrella" of measures was launched in Europe in response to the difficult situation in Greece, known as the European Financial Stability Facility (EFSF). It has a guarantee volume of EUR 750 billion and is financed by the European member states and the IMF. In November 2010, Ireland was the second country to be on the brink of insolvency and seek shelter under the protective umbrella.

Inflation rate (%)	2008	2009	2010*	2011*
Austria	3.2	0.5	1.8	2.0
Germany	2.6	0.3	1.1	1.7
France	2.8	0.1	1.5	1.6
Italy	3.3	0.8	1.5	1.9
Spain	4.1	–0.2	1.8	2.1
Switzerland	2.4	–0.5	0.7	0.5
Poland	4.2	2.6	3.5	3.7
Eurozone	3.3	0.3	1.6	1.9
USA	3.8	–0.3	1.6	1.8
Japan	1.4	–1.4	–1.0	–0.3

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

The prices of most commodities also increased in 2010. The S&P-GSCI commodities index surged by a further 9% in 2010 after a rise of 10% in 2009. Metals showed the largest increase of all the commodities, driven by hope of economic recovery and by fears of inflation. Precious metals (gold and silver) moved up by 34% and industrial metals by 17%, including copper which rose by as much as 30%. Crude oil prices rocketed from their low point of USD 40 at the end of 2008/beginning of 2009 to approximately USD 80 a barrel at the beginning of 2010 and exceeded the USD 90 mark in January 2011.

The US dollar appreciated against the euro in 2010, but the development of this trend was extremely volatile. The currency pair began with an exchange rate of 1.43 in the previous year only to reach a low of 1.18 in June shortly after the Greek crisis reached its climax. The euro then began to appreciate again, but with an exchange rate of 1.34 the US dollar closed the year 7% up against the euro. The US dollar benefitted greatly from the European debt crisis, but came under pressure from the other major currencies. The Swiss franc appreciated as a result of growing scepticism among investors regarding the euro. Since the beginning of 2010, the Swiss franc thus appreciated by over 12% against the euro. The CEE currencies have gained strength once more since the beginning of 2009 after significant depreciation to the end of 2008.

The fear of a "double-dip recession" with the continuation of large-scale monetary and fiscal stimulus measures in the USA and Europe has been averted for the time being. The continuing strained situation on the US labour and property markets and a burgeoning budget deficit as a result of economic recovery programmes with the corresponding need for refinancing and austerity measures continue to pose a threat to sustainable positive economic development. By contrast, above-average corporate profits and a surprisingly positive development in consumer spending form a solid driving force for economic growth.

INDUSTRY ENVIRONMENT

Consumption remains a stabilising factor in many economies and rose by 0.7% in the euro zone in 2010. Driven by a relatively weak exchange rate for the euro, the export sector recovered from the downward trend in the previous year and expanded by around 10%, and by as much as 14.5% in Germany. Company investment in plant and equipment increased by 9.4% in Germany, albeit rather cautiously, against the background of a -22.6% slump in the previous year. Construction investment widened by 2.8% (2009: -1.9%). Capital goods expenditure in the euro zone remained virtually unchanged and was at the same low level as in 2009.

The global economic crisis had a negative impact on the construction industry in 2009 following a general decline in construction activities which began in 2008 due to a severe decline in housing construction. According to Euroconstruct, 2009 was "the worst year for construction in over a decade". 2010 saw construction shrink further by an estimated 2-3% after spiralling demand in construction and housing in particular had already led to a contraction in construction volume in Europe by 8.4% in 2009. The decline occurred at varying degrees of intensity in the individual countries with the exception of Switzerland and Poland, but construction activity slowed down in all countries. Germany came off rather lightly by comparison with construction decreasing by only 1.2%. In Spain (-21.5%) and Ireland (-32.2%), where construction activities had far exceeded actual need in the previous boom phase, the slump had a dramatic impact which continued until November 2010. Structurally, building construction in Europe is experiencing a shift from new developments to renovations and this trend is accelerating, with renovations already making up around 50% of construction investment.

On the basis of estimates made by the Ifo Institute, revenues of the German sanitation industry increased by approximately 2.5% to €16.5 billion in 2010. International business experienced strong recovery with growth of almost 7%, but with a forecast €3.1 billion only managed to reach the same levels as in 2006. It is likely to take until 2012 at the least until the lost volume as a result of the deep-seated international real estate crisis is compensated. There is ongoing development in the domestic market. This is essentially as a result of the stabilising effect of bathroom modernisation in the domestic market, which has accounted for 70% to 80% of revenues in the industry for many years; a trend that will continue in the future. In 2010, sales revenues in Germany rose by an estimated 1.5% overall to €13.4 billion.

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

COURSE OF BUSINESS IN 2010

The results target of the BWT Group in the financial year 2010 was to compensate for the discontinuation of the €4.5 million non-recurring income deriving from the disposal of a financial investment in the previous year with additional profits from operating activities. Moreover, after the record year 2009, the objective was to once again attain a healthy cash flow and further improve the balance sheet ratios (debt and equity ratios).

We were able to achieve these objectives. With a 15% rise in consolidated revenues EBIT went up more than 17%, consolidated profit was only just below the previous year's figure (€23.1 million) at €22.8 million, the second-best cash flow in the history of the company was achieved with €34.3 million, net debt fell to €9.8 million (previous year: €17.9 million) and the equity ratio improved from 48.5% to 51.0%.

All of this reflects the commitment and loyalty of our employees, who are the basis for the further development of our corporate group. The BWT Management Board would like to express its gratitude to all employees for what they have achieved and the commitment they have shown during the past financial year.

Sales development

In financial year 2010, BWT Group's consolidated revenues went up by €60.0 million to €460.7 million, an increase of 15.0% on the previous year. Non-recurring effects, such as the full year consolidation of the pharmaceutical water treatment companies (only consolidated in the fourth quarter of the previous year), the Zeta Group and the UK company acquired in the middle of the year, contributed €44 million (11.0%) to this growth. Growth assuming a comparable group structure was 4%.

The individual business segments developed as follows:

Segment (in € millions)	2010	2009	+ / – %
Austria / Germany	207.1	172.4	+20.1%
France / Benelux / UK	104.9	95.3	+10.1%
Scandinavia	45.2	43.2	+4.6%
Italy / Spain	33.1	31.8	+4.1%
Switzerland / Others	70.4	58.0	+21.4%
BWT Group	460.7	400.7	+15.0%

The clear increase in revenues of 20.1% recorded in the Austria/Germany segment is primarily due to the previously explained non-recurring effects derived from the pharmaceutical water business and the Zeta Group. However, development in the Point of Entry business was also very encouraging, particularly in Germany where we achieved growth of more than 8%. The Point of Use business grew by 69% to over €11 million in the Austria/Germany segment. FuMA-Tech GmbH, which conducts research and development activities related to fuel cell membranes, generated revenues of €2.9 million in 2010 compared with €1.6 million in the previous year.

Approximately three quarters of the growth recorded in the France/Benelux/UK segment can be attributed to the acquisition of BWT UK in the middle of the year. The Point of Use business increased its share of segment revenues from 4% to nearly 7% and the Service and Spare Parts business expanded by nearly 8%.

The Scandinavian HOH Group posted a revenues downturn of approximately €4 million (-9.5%) in 2010, owing primarily to customers' reluctance to invest in water treatment systems in the commercial and industrial sectors. However, this downturn was more than offset by the very good results recorded by BWT Pharma & Biotech in Scandinavia. As a result, segment revenues rose by 4.6%, whereby the newly launched Point of Use business in Scandinavia recorded growth of more than 50% to reach €1.4 million.

The 4% growth in the South European countries was shaped by the Italian company, whereas a contraction of 10% was posted in Spain. The Point of Use business in the Italy/Spain segment grew by more than 25% and now accounts for 15% of segment revenues.

Revenues in the Switzerland/Others segment rose strongly by 21.4%, the Pharma and Zeta-related activities being responsible for approximately three quarters of this growth. BWT Russia, which was launched in 2009, increased its revenues by more than 63% to over €4.3 million, whereas the other Eastern European companies were still suffering from the difficult market environment in 2010. The favourable revenues result reported by the Swiss companies was also aided by changes to the CHF exchange rate.

Overall, revenues of €23.3 million generated in Eastern Europe in the previous year increased by 6.7% to €24.9 million. Eastern Europe thereby contributed 5.4% (previous year: 5.8%) to the Group's total revenues and Europe overall accounted for a share in revenues of 95.8% (previous year: 97.0%). Asia's share in revenues accounted for 2.7% in 2010 or €12.4 million (previous year: € 7.8 million). Growth here was 58.8%. The rest of the world accounted for 1.5% of the Group's consolidated revenues against 1.0% for the previous year. The pharmaceutical water business, which already has stronger international representation, and the Point of Use business are the driving force for the successive expansion of BWT's business activities beyond Europe's borders.

The revenues of the Service and Spare Parts business grew by 4.5% to €99.7 million in 2010, representing 21.6% of the Group's revenues (previous year: 23.8%). The Point of Use business recently posted strong growth rates with a result of €29.1 million, more than 46% up on the previous year. 6.3% of the Group's total revenues came from this product segment (previous year: 5.0%). The revenues of the Point of Entry business rose 16.3% in 2010 to €331.9 million, primarily due to the non-recurring effects as a result of consolidation.

The BWT Group's order book amounted to €73.2 million as at 31 December 2010 compared with €77.6 million a year ago, the 5.7% slide primarily owing to the pharmaceutical water companies.

Earnings development

The 15% increase in revenues led to an improvement in EBITDA of only 3.2% due to a disproportional rise in material and personnel costs. However, EBIT increased by 17.4% as a result of significantly lower depreciation. Earnings before taxes only improved slightly by 2.9% against the previous year due to the discontinuation of proceeds from disposing an investment and the consequent lower financial result. The higher tax rate resulted in a slight year-on-year decline of 1.1% for the consolidated net result.

Other operating income rose from €5.4 million to €6.3 million, primarily due to higher income from rent and licenses and higher income from asset disposals.

Capitalised labour, overheads and material declined by €0.1 million and consisted mainly of development costs to be capitalised according to IFRS.

Costs of materials and changes in the inventory of semi-finished and finished products rose from 39.6% in the previous year to 39.9% of revenues. The product mix, with a higher share of sales in the Pharma and Zeta business, commodity prices rising again and greater pricing pressure from cheap products led to this development.

The 17.8% rise in personnel expenses against the previous year from €128.8 million to €151.7 million principally relates to consolidation (Pharma, Zeta, UK). Excluding these effects, personnel expenses increased by 6.8%, which can be explained by the increase in the number of staff in the Point of Use business and further expansion of the Service department in Switzerland.

Other operating expenses rose in line with revenues by 15.0% from €73.9 million in the previous year to €85.0 million. 13.4% is attributable to the effects of consolidation (Pharma, Zeta etc.), whereby assuming a comparable group structure growth saw a slight increase of 1.6%. The most significant cost drivers are advertising with €11.8 million (previous year: €10.7 million), car and travel costs with €13.0 million (previous year: €10.4 million), freight and warehousing with €9.5 million (previous year: €8.4 million) and rent and leasing expenses with €12.5 million (previous year: €10.4 million).

EBITDA (earnings before interest, taxes, depreciation and amortisation) went up 3.2% from €45.7 million to €47.2 million.

Depreciation fell by €3.2 million in 2010 compared with 2009, declining from €18.9 million to €15.7 million. In the previous year, goodwill impairment led to value impairments of €4.6 million. In the financial year 2010, goodwill impairment amounted to €1.5 million. Write-downs on tangible and intangible assets amounted to €14.2 million in 2010 compared with €14.3 million in the previous year. It should be noted that in the previous year, a property in Switzerland that has since been sold resulted in extraordinary adjustment of the market value to the amount of €2.4 million. The non-recurrence of this extraordinary write-down was offset by normal depreciation and amortisation in the Pharma business, at Zeta and at the new company BWT UK and by greater than normal depreciation and amortisation for asset investments which recently have been higher than normal (e.g. facilities for Point of Use production).

EBIT increased by 17.4% from €26.8 million to €31.5 million due to the 3.2% improvement in EBITDA and lower write-downs. The EBIT margin showed a marginal improvement from 6.7% of revenues to 6.8% of revenues.

The financial result was shaped by profits amounting to €4.5 million on the disposal of the 12.2% minority interest of HOH Denmark to Male Water & Sewerage Company in the previous year. The non-recurrence of this extraordinary income and savings of approximately €0.4 million in the interest result meant a deterioration of the financial result from €+3.6 million to €-0.2 million.

Earnings before taxes totalled €31.2 million in 2010 and were therefore above the previous year's figure of €30.3 million. The Group tax rate increased from 23.9% to 26.8%. It is important to note here that the aforementioned non-recurring income brought about by the disposal of an investment in the previous year was not subject to taxation.

As a result of this greater income tax charge, the BWT Group's annual earnings fell by 1.1% from €23.1 million to €22.8 million. The return on revenues was 5.0% (previous year: 5.8%). As in the previous year, the share in earnings of minority shareholders had a minimal effect of €0.1 million so that at €22.7 million, the BWT Group's consolidated net earnings after minority interests were 1.2% below the previous year's figure of €23.0 million.

Due to the further repurchasing of shares in the financial year 2010, the average number of outstanding shares decreased from 17,453,187 in 2009 to 17,241,724 in 2010. Earnings per share remained unchanged on the previous year at €1.32.

In view of the marginal overall decline in Group earnings and its healthy cash flow and balance sheet situation and in spite of the extensive programme of investment scheduled for the coming year, the Management Board will submit a proposal to the next Annual General Meeting to pay the same dividend of €0.40 per share as last year.

Segment earnings

EBITDA (earnings from operating activities before depreciation and amortisation) developed as follows in the individual business segments:

Segment EBITDA (in € millions)	2010	2009	+ / – %
Austria / Germany	19.3	19.1	+1.0%
France / Benelux / UK	6.9	7.8	–11.5%
Scandinavia	7.0	7.2	–2.8%
Italy / Spain	3.7	3.9	–5.1%
Switzerland / Others	10.3	7.7	+33.8%
BWT Group	47.2	45.7	+3.2%

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

Segment EBIT (in € millions)	2010	2009	+ / – %
Austria / Germany	9.5	12.3	–22.9%
France / Benelux / UK	4.4	4.1	+6.9%
Scandinavia	6.4	6.9	–7.2%
Italy / Spain	3.5	3.6	–4.4%
Switzerland / Others	7.7	–0.1	–
BWT Group	31.5	26.8	+17.4%

The EBIT margin in the Austria/Germany decreased from 7.1% to 4.6%. Key factors negatively impacting here were the aforementioned goodwill impairment of €1.5 million and greater costs relating to the expansion of the Point of Use business in Austria.

The increase in EBIT in the France/Benelux/UK segment derives primarily from the share of profits from BWT UK, which has been a part of the BWT Group since the middle of the year. The EBIT margin of 4.2% in the France/Benelux/UK segment is on roughly the same level as the previous year.
In the Scandinavia segment, the decline in earnings of Danish company HOH did not fully compensate the result of BWT Pharma and Biotech AB, Sweden. However, the EBIT margin of the Scandinavia segment of 14.2% (previous year: 16.0%) is once again significantly above the average figure for the Group.

The 4.4% decrease in EBIT in the Italy/Spain segment is primarily related to the Spanish subsidiary. By contrast, the Point of Use business in Italy achieved higher earnings, but this did not offset the losses in Spain.

In the previous year, the Switzerland/Others segment was negatively impacted by extraordinary write-downs on real property and goodwill in Switzerland to the amount of €6.1 million. The discontinuation of these extraordinary expenses and a further improvement in the operating results of Switzerland and China resulted in EBIT of €7.7 million, or 11.0% of revenues. The BWT companies in Eastern Europe also posted positive EBIT contributions overall, in spite of the persistently difficult market situation.

Development of the financial position

The financial position of the BWT Group was very solid as at the balance sheet date of 31 December 2010.

At €34.3 million, cash flow from operating activities was below the previous year's record level of €49.7 million but still satisfactory in view of the increase in revenues and in working capital in the Point of Use business necessary to fulfil customer requirements. Cash flow from earnings rose by approximately 6% against the previous year from €45.1 million to €47.8 million.

Cash flow from investing activities amounted to €-15.1 million and was an improvement on the previous year's figure of €-18.2 million. The company spent €14.9 million on investments in intangible assets and property, plant and equipment in 2010 (previous year: €9.7 million). The most important investment projects in the financial year 2010 related to the acquisition of trademark rights for the UK, the reconstruction and automation of the warehouse in Switzerland and the launch of the extensive capital expenditure programme for the expansion of the production and logistics capacity for the Point of Use business in Mondsee. The company spent €5.2 million on acquiring equity interests (investments) in 2010 compared with €16.7 million in 2009.

In 2010, cash flow from financing activities amounted to €-17.0 million (previous year: €-28.7 million). Of that amount, €6.9 million (previous year: €6.6 million) were spent on dividends and €4.8 million (previous year: €1.1million) to buy back the company's own shares. Net debt of the Group was reduced further in 2010 and is now €9.8 million excluding social capital (previous year: €17.9 million). If provisions for social capital are included in that figure, net debt amounted to €39.3 million (previous year: €42.3 million). Gearing (the net debt to equity ratio) improved from 11.7% to 6.0% excluding social capital and from 27.6% to 24.0% including social capital. Net current assets increased by 6.9% from €57.7 million to €61.7 million.

The consolidated balance sheet total of the BWT Group increased by 1.9% as at the end of 2009 from €315.0 million to €321.1 million. Equity ratios again improved from 48.5% to 51.0%. As at December 31 2010, Group equity amounted to €163.9 million compared with €152.8 million in the previous year.

Return on equity dropped from 15.9% to 14.4% due to the higher average equity and unchanged Group consolidated earnings. Return on capital employed went up from 12.2% to 13.4% due to improved EBIT, despite the higher equity.

Employees

As at the balance sheet date of 31 December 2010, the BWT Group had a total of 2,820 employees (full time equivalents, previous year: 2,701) working in BWT subsidiaries in 22 countries. The increase in the number of employees against the previous year can be attributed predominantly to the new UK subsidiary.

1,275 people are employed in the Austria/Germany segment (previous year: 1,325), 745 in the France/ Benelux/UK segment (previous year: 586), 205 in the Scandinavia segment (previous year: 217), 92 in the Italy/Spain segment (previous year: 95) and 503 in the Switzerland/Others segment (previous year: 479).

Interdisciplinary teamwork spanning the entire value chain at BWT brings together employees with different qualifications. From product developers and process engineers to production workers, from the assembly line to servicing and from procurement to execution, employees with technical, management, legal and other qualifications are assigned a wide range of tasks. The BWT Group's extensive water technology network in Europe offers employees and trainees a wide range of vocational training, professional development and career opportunities. The various working hours models that we employ, such as part-time work and telecommuting, ensure flexibility and enable employees to plan their lives to suit their individual needs.

As is the case every year, there were no strikes or labour disputes in 2010 either. Social benefits vary from company to company and include canteens, supplements for voluntary pension insurance, health 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. A total of T€830 overall (previous year: T€564) was spent on training in the BWT Group in 2010.

Our employees stand out due to their qualifications, commitment, responsibility, discipline, loyalty and mutual respect in a "family style" working environment. They are the key to the further positive, sustainable development of our Company. Their knowledge, skills, input and achievements were crucial to BWT's continued success in 2010. For that, we would like to express our thanks and appreciation.

Environment

The recording of environmental data was improved further in 2010 and brought into line with the internationally recognised GRI scheme. BWT's product development and production processes are based on a principle of economic and environmental optimisation and therefore conform to the objective of sustainability in both the production process and application.

In general, the impact of BWT's operating activities on the environment, considering the size of the Company, can be classified as relatively minor. BWT's product development and production processes aim for economic and environmental optimisation and therefore make a valuable contribution to promoting sustainability in many areas.

Research & Development

"Growth through innovation" is anchored in the BWT Group's guiding principles and research and development is therefore one of the main pillars of BWT's growth strategy.

The BWT Group has four research and development centres, which are associated with the production facilities in Austria, Germany, France and Switzerland. The objective of employees in BWT's development departments is to create new products and processes and develop existing ones. The need to conserve resources, quality, functionality, security and cost optimisation are key considerations in all development work.

Important development projects were executed in the Point of Entry and Point of Use businesses in 2010. The bestmax filter candle range used for decarbonising water for hot and cold water dispensers was expanded with the addition of the bestmax X2L size, extending the capacity range to 12,000 litres.

Important problem solvers were created with the development of the bestarsenic and bestlead filters, which are used to reduce the concentration of arsenic and lead in drinking water.

Several adapters for coffee machine tanks, which are directly installed into the coffee machine's water tank, were developed to supplement the bestcup product range of tank cartridges, enabling these cartridges to be used in an even bigger range of water tanks.

In the Point of Use Consumer and tank cartridge businesses, in 2010, the product ranges of filtration systems for drinking water, filter cartridges and tank cartridges were optimised and adapted to fulfil new market requirements.

In the Point of Entry business, new functional designs for particle filters, water softeners and reverse osmosis units were developed. The Protector mini particle filter for both cold and warm water and with either plastic or brass casing depending on the intended use was developed for the Eastern European market.

In 2010, BWT also finished developing a system for dosing chlorine granules in swimming pools. This compact, PLC-controlled system sucks the granules in, dissolves, dilutes and doses them, all without forming any particles of dust.

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

Pursuant to Section 243a Par. 2 of the Austrian Commercial Code (UGB), as amended by the Company Law Amendment Act of 2008 (URÄG), management reports must describe the most important features of the internal control and risk management system with regard to the accounting process.

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

BWT Group policies are based on the BWT Code of Conduct and Compliance guidelines, as well as on the management Rules of Procedure in place for all companies in the BWT Group. All of these provisions were revised in 2010 and were once again explained to management in detail. Local management is responsible for compliance with the guidelines in their own respective BWT subsidiary. Among other things, the management rules of procedure underline the necessity for strict compliance with the provisions outlined in the Management Handbook and define a list of business cases which require Group management approval. The BWT Group management handbook includes necessary information pertaining to the accounting process and provisions such as the Accounting Handbook (reporting guidelines, reporting and accounting procedures), Treasury Guidelines and IT Guidelines.

The uniform monthly reporting process, which is governed by the Accounting Handbook and applied Group-wide, together with the PM 10 reporting software used to record and analyse data, ensure regular checks of the assets development and earnings performance of the individual members of the Group. Standard reports and ad hoc evaluations allow for quick analysis of any deviation from budgeted values and values from the previous year. The information is then grouped together by Group Controlling and brought to the attention of the Management Board. The development of longer-term construction contracts is subject to a Group-wide project controlling process. Information gathered on an ongoing basis by the treasury system "Bellin" (i.e. automatic reading of bank account statements) allows for a weekly bank account status update and monitoring of credit lines, bank signature authorisations and current liabilities. Furthermore, intragroup figures are monitored by a netting system and intercompany balances are regularly recorded.

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

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.

Risk management

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

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

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

Material risks

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

Development risk

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

Risk when acquiring and establishing new companies

BWT has in the past carried out a series of acquisitions and established a number of new companies and we assume that there will be further purchases in the future and/or that more new companies will be established. The possibility cannot be ruled out that purchases and/or company formations which have already been completed or will be completed in the future may be unsuccessful. In particular, there is a risk of a failure to integrate companies that have already been acquired, or which are purchased in the future, into BWT's business operations and company structure, or to achieve planned synergy effects.

Personnel risk

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

Liquidity risk/financing risk

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

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

Interest rate risk

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

Currency risk

BWT partly finances its operating resources, investments and possible expansion in foreign currencies. This is directly related to the international character of its operations. Covering transactions are carried out in the Group's central treasury for cash flows in foreign currencies and these reduce the negative repercussions of exchange rate fluctuations. As at the balance sheet date of 31 December 2010, the BWT Group had a limited number of outstanding currency futures contracts in order to secure the currency risk. Necessary interest and currency securities were carried out from the operating activities of the BWT Group by BWT Group Services GmbH, which is part of the BWT Group.

Default/solvency risk

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

IT risk

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

Overall risk

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

Information under Section 243a of the Austrian Commercial Code

BWT's share capital consists of 17,833,500 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.

Major shareholders of BWT Aktiengesellschaft are YSRO Holding B.V. and WAB Privatstiftung. The free float is held by Austrian and international investors. BWT's shares are listed on the Prime Market of the Vienna Stock Exchange under International Security Identification No. AT0000737705. In the USA, BWT's shares are traded on the OTC market via a Sponsored Level 1 ADR Programme operated by the Bank of New York.

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

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

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

Resolutions of the Annual General Meetings held on 20 May 2008 and 26 May 2010 authorised the Management Board to buy back the Company's own shares. In 2010, the Management Board exercised that authorisation and, in the course of the year, acquired a further 243,256 treasury shares. Together with the 399,857 shares it purchased in 2008 and 2009, BWT AG therefore holds, as at the balance-sheet date of 31 December 2010, a total of 643,113 treasury shares. At the end of the year, the market value of treasury shares amounted to €14,148,486.00.

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

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

Outlook

Water, the elixir of life, is increasingly becoming a precious and scarce resource worldwide owing to a growing population and increasing consumer and quality requirements. The water treatment market will therefore continue to offer good development opportunities for innovative and high-performing companies in the future. The Point of Use business (i.e. visible water treatment for customers directly before use), a strong service and sales network, the strong impetus on sustainable innovation and initial internationalisation of activities in the Point of Entry business area all present BWT with excellent opportunities for growth.

For the next two years, the BWT Group is planning the most extensive capital expenditure programme in the history of the company to date. Overall funds of €75 million have been earmarked, around a third of which will go towards an extensive advertising campaign to expand the BWT brand and increase brand awareness of BWT as a water treatment specialist among end consumers. Around €50 million will also be invested in the expansion of the all-important development, production and logistics capacities. Investments in infrastructure will mainly take place at BWT's Mondsee location and a new production plant for Germany is also in the pipeline. In the future, BWT thus intends to retain Europe as a production location, not least to guarantee high production quality on an ongoing basis.

The low debt ratio, the good capital situation and technological leadership demonstrated by the water treatment business form the basis for continued positive development of the BWT Group. However, on the basis of current assessments, we anticipate that 2011 will see a decline in Group earnings to €18 million due as a result of advertising expenditure, high depreciation for fixed assets and rising financing costs. Assuming the same group structure, the Group's consolidated revenues should exceed the €500 million threshold for the first time in the company's history.

No events occurred after the balance sheet date (31 December 2010) that were of particular significance for the BWT Group and would have led to its assets, financial position and earnings being presented differently.

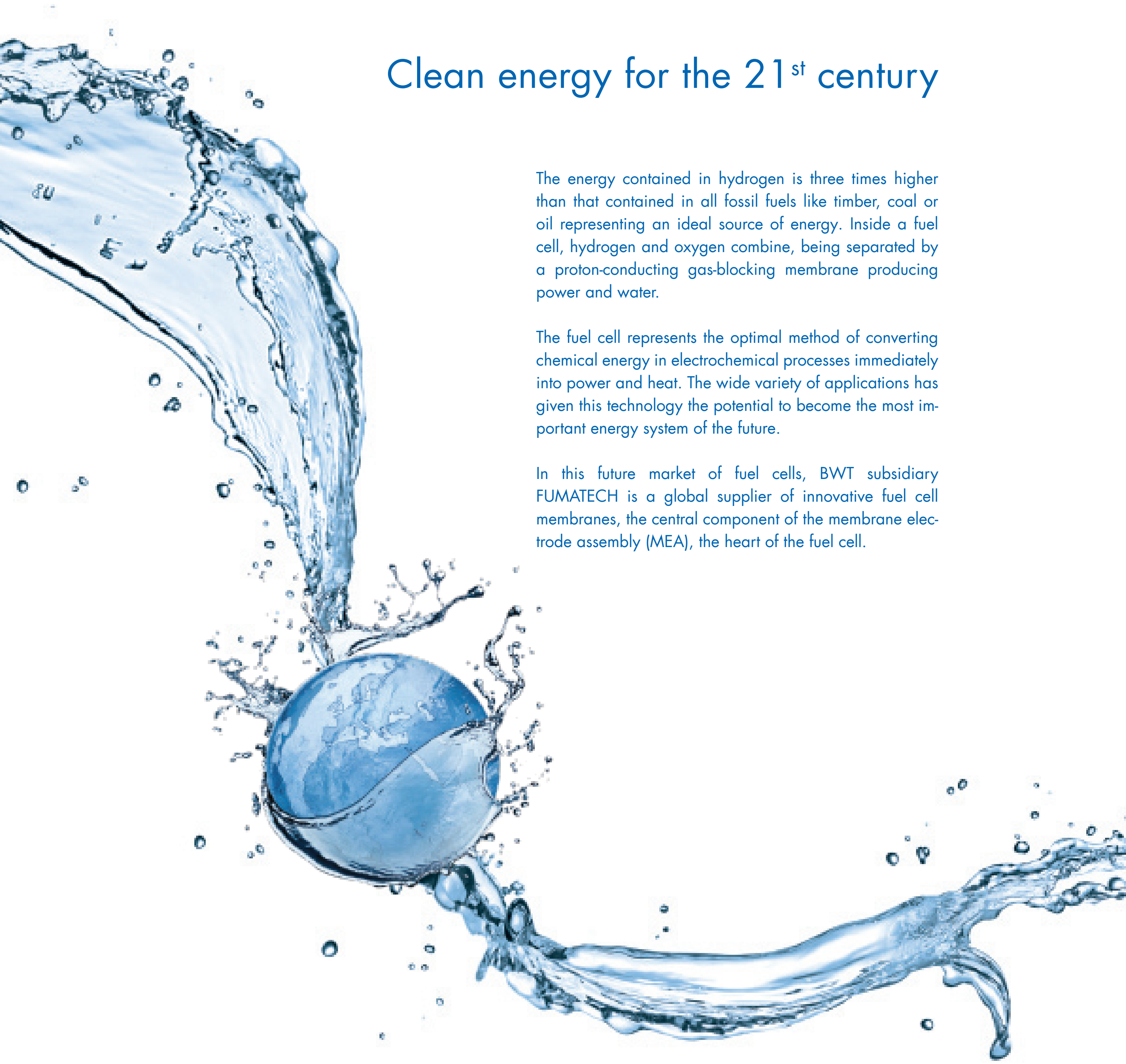
Mondsee, 25 February 2011

The Management Board

Andreas Weissenbacher

Gerhard Speigner

For Planet Blue.



Clean energy for the 21st century

The energy contained in hydrogen is three times higher than that contained in all fossil fuels like timber, coal or oil representing an ideal source of energy. Inside a fuel cell, hydrogen and oxygen combine, being separated by a proton-conducting gas-blocking membrane producing power and water.

The fuel cell represents the optimal method of converting chemical energy in electrochemical processes immediately into power and heat. The wide variety of applications has given this technology the potential to become the most important energy system of the future.

In this future market of fuel cells, BWT subsidiary FUMATECH is a global supplier of innovative fuel cell membranes, the central component of the membrane electrode assembly (MEA), the heart of the fuel cell.

BEST WATER TECHNOLOGY

For You and Planet Blue.

BWT – For You and Planet Blue.

The future of energy supply – Clean forms of energy for the 21st century

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

The BWT membrane competence centre, FUMATECH, sees itself as a pioneering producer of ion exchange membranes, with extensive competence in areas ranging from the synthesis of raw materials and consumables, through the processing of these materials to create membranes, to their technical application.

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

FUMATECH's core competence relates to the heart of the fuel cell, the proton-conducting membrane fumapem®. New applications for fumapem® membranes are appearing in the area of batteries, and in particular in the storage of renewable energy in, for example, vanadium redox batteries - large-scale storage devices.

In 2010, industry, politicians and energy providers undertook a number of initiatives intended to pave the way towards the mass production of fuel cells. With "H_2 Mobility", a consortium was established for the creation of a hydrogen infrastructure. Additionally, almost a dozen leading vehicle manufacturers have published a declaration of intent to develop and launch electric vehicles using fuel cells. Starting from 2015, they expect to sell several hundred thousand vehicles yearly worldwide. Such fuel cell-driven models are superior to battery-driven electric vehicles. They are generally faster, and most importantly, they can travel for longer distances. More than 400 kilometres is not a problem. And instead of being recharged for several hours, they only have to be connected to a hydrogen fuel pump for a couple of minutes.

In Germany, the "national platform for electro-mobility" was set up in May 2010. Its objective is to make Germany the leading provider of electro-mobility by 2020. Consumer expectations are high. According to the most recent opinion polls in Germany, 60 per cent of those questioned already believe that the combustion engine will be replaced by the electric drive. The German government is planning that there will be 5 million electric cars in the country by 2030.

The new era of energy will bring about changes in many areas, including energy generation and distribution as well as transport, traffic, and private consumption. Decentralized energy generation should play a key role here, due to the enormous transmission and processing losses currently faced. A decentralized energy supply could, on the one hand, be combined with fuel cell vehicles, with those vehicles also generating power and heat for domestic use while they are in the garage. On the other hand, a domestic fuel cell heater can generate both heat and power decentrally for electro-mobility. The high-temperature PEM fuel cell is ideally suited for this application, since it positively supports the conversion of combustible gases, while at the same time providing usable heat at an ideal temperature in a highly efficient manner. That's why high-temperature PEM fuel cells are a main focus of BWT's and FUMATECH's current activities.

Also of importance in this context are carbon-dioxide-neutral, renewable energies such as solar energy, wind energy, hydropower and biomass. However, the use of renewable energy also requires new processes and technologies for energy storage, a further area on which BWT-FUMATECH is focusing. Storing energy in the form of hydrogen and using high-performance batteries such as redox batteries with liquid electrolyte or metal-air batteries is regarded as being of the utmost importance. FUMATECH supplies innovative fumion® polymers and fumapem® polymer membranes for this future market.

Products

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

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

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

Research cooperation continues

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

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

Motivated by amendments to the directive on biocides, in 2009, BWT and FUMATECH developed an entirely new method for the onsite generation of disinfectants through the electrolysis of saline solutions, and marketed it under the FUMAGEN® brand. This new type of electrolysis makes it possible to produce a salt-free hydrochlorous acid, which is initially being marketed for "cleaning-in-place" (CIP) facilities in the food and beverages industry. In 2010, the first systems were sold and successfully put into operation.

For You.

Our Employees.

Just like water is our daily elixir of life, our employees are the elixir of BWT. Their customer-oriented, entrepreneurial and sustainable thinking and acting represent BWT – the European market leader in water technology.

We want our employees to be satisfied and our employees to do their work with pleasure. Careful selection, fair pay, secure jobs in economically difficult times, equal chances for education and further training of BWT employees enjoy high priority at BWT. At many of our facilities we offer employees the possibility of successfully combining their professional life, family and career thanks to flexible working hour schemes.

BWT – For You and Planet Blue.

Sustainability - Management

Since our company was founded in 1990, our work has focused on the development and marketing of environmentally-friendly technologies. Ecologically and economically optimised products from BWT offer the most modern and environmentally friendly technologies that economise on water, materials and energy, and ensure safe, hygienic contact with water, the elixir of life. We are the market leaders in Europe in our sector, water technology.

By concentrating on point-of-entry and point-of-use applications in water purification, on service, and to some extent also on acquisitions, the BWT Group has undergone thorough change in recent years. We have entered and captured new markets in a geographical and product sense, and attained strategic options. Our vision and goal is to become the world's leading provider of water technology.

Convinced of our market opportunities, we regard growth and innovation as important parts of our strategy which we intend to pursue with our own strength and out of our own cash resources in the long term. The letters BWT represent the goal, task and solution of our global challenge – water treatment with responsibility. On the path to this goal we have anchored our mission in our company concept which extols our company and brand values. This is backed up by the BWT Code of Conduct, which reflects the ethical values of our business and serves as a guiding light for our employees in their daily work. Further important voluntary and statutory regulations are the BWT Compliance Guidelines and the Corporate Governance Regulations.

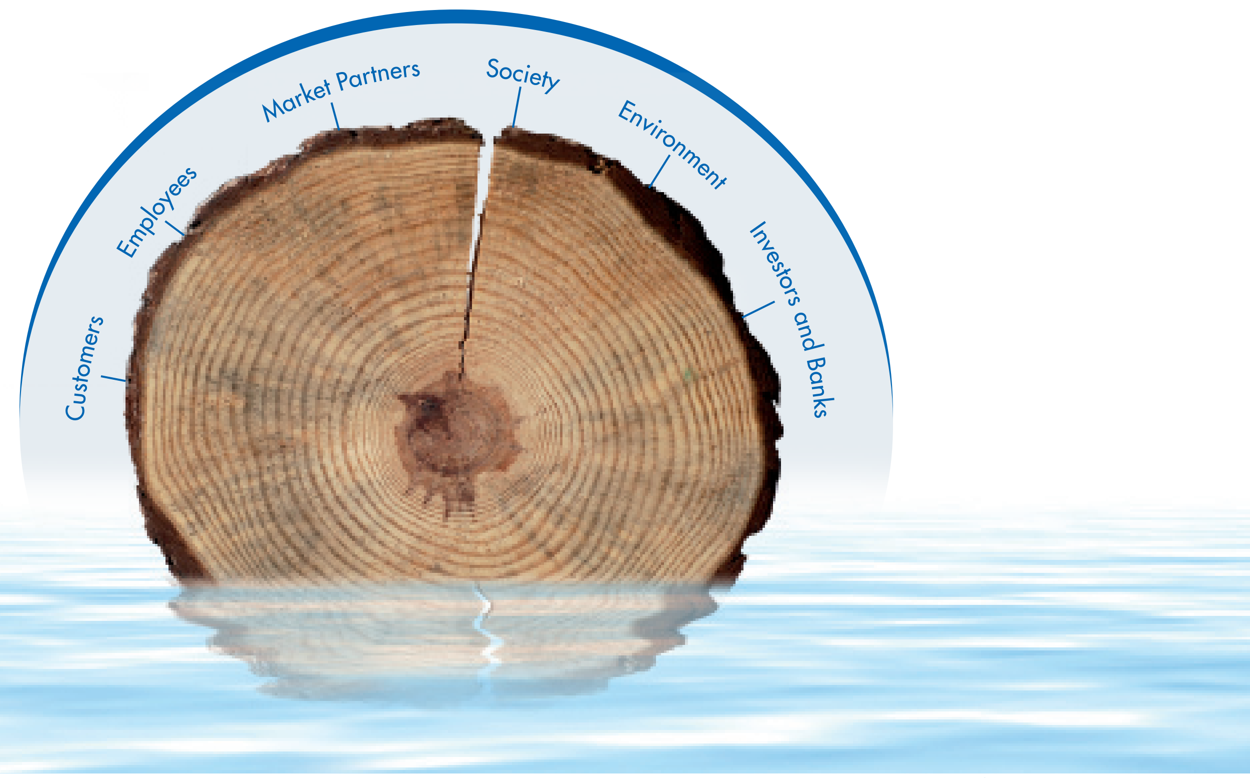
The meaning of CSR –

Corporate Social Responsibility ("CSR", also known as corporate responsibility, corporate citizenship, responsible business and corporate social opportunity) is the voluntary contribution of businesses for a sustainable development. According to the European Commission CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. To mark the World Economic Forum on 31 January 1999, UN Secretary-General Kofi Annan invited business executives to take part in the international "Global Compact" initiative. The vision of Global Compact is a more sustainable and fairer world economy, in order to improve the standards of living of people all over the world. The members commit themselves to aligning their business and strategies with ten Global Compact principles in areas of human rights, labour, the environment and anti-corruption. BWT has undertaken measures in all areas of the ten principles for the purpose of their implementation, and has also included them in its Code of Conduct.

Our CSR strategy and organisational framework

In terms of organization, BWT has set itself the goal of making CSR an integral management function, for which the managements of the Group companies in the particular functional responsibilities and the Management Board are chiefly responsible. The leading body of CSR is the Investor Relations Department, responsible for the development of a CSR mechanism, CSR Controlling, and for conveying proposals to the management. The internationally recognised GRI template serves as the reporting standard, which has been incorporated in the present Reporting and Controlling Management System. Current certificates, standards and management systems (eg ISO 9001, ISO 14001, SA 8000) are major points of reference. Further measures include the further development of the CSR indicator system, regular dialogue with stakeholders and a definition of CSR area objectives.

Our compliance system ensures that there is an organisational framework for the realisation of current statutory regulations and our voluntary Group guidelines. The purpose of this is not just to avoid risks (product liability, penalties and fines), but also create a positive public image for the Company and its employees. At top level, i.e. in the Management Board, Compliance is in the hands of Gerhard Speigner (CFO), as Compliance Officer. He heads the Compliance organisation, including Compliance officers in the holding company and in the concern itself.



Our stakeholders

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

BWT operating function	Stakeholder	BWT stakeholders and their dimensions
Finance →	Capital providers (Investors, Banks)	2 major shareholders, 54% free float, 50 larger corporate investors, thousands of retailer investors, banks; total € 12.8 million dividends, share buy-back, interest.
Personnel →	Employees	2,820 employees at over 40 locations, 98% in Europe, € 151.7 million in personnel expenditures.
Research & Development →	Environment (Product effects)	Economically and environmentally optimized Water treatment products and processes, R&D expenditures € 10.9 million.
Purchasing →	Market partners (Suppliers)	Purchasing volume: € 271.4 million, several thousand suppliers.
Production →	Environment	4 chief production sites: Mondsee (A), Schriesheim (D), Paris (F), Aesch, (CH); vehicles; investments: €15.4 million.
Marketing & Service →	Customers and distribution partners	Sales: € 460.7 million with wholesale, retail customers, planners, architects, businesses and municipalities.
BWT Group total →	Society	Authorities, social insurance providers; taxes, charges, statutory tax and social security contributions, donations: € 38.6 million.

Sustainability-Progress Report 2010

A goal of the BWT-Sustainability-Initiative is to embed consciousness of the responsibility for our resources, the environment, our employees, customers and the society in daily, entrepreneurial acting. In 2010, the BWT Group took further steps in the realisation and enhancement of our measures. Within the framework of the company-wide implementation of the Sustainability-Reporting in the Management-Information-System (MIS) on the basis of the reporting standard of the Global Reporting Initiative (GRI) the data quality was increased considerably and a practicable monitoring instrument for the management was utilised. Again progress could be obtained in the individual stakeholder responsibilities, as explained below.

Customers

Our customers include wholesalers, installers, architects, planners and a large number of businesses and industrial companies from virtually all branches of industry as well as municipalities (e.g. hospitals), who are served by our local branches, sales centres and service staff. Regarding point-of-use operations, end consumers and retailers acting as our agents are playing an increasing role. We generate 96% of our sales with customers in Europe. Apart from introducing of new products, our business in 2010 concentrated on expanding our partner ("drinking water professionals") network, training and improving quality management.

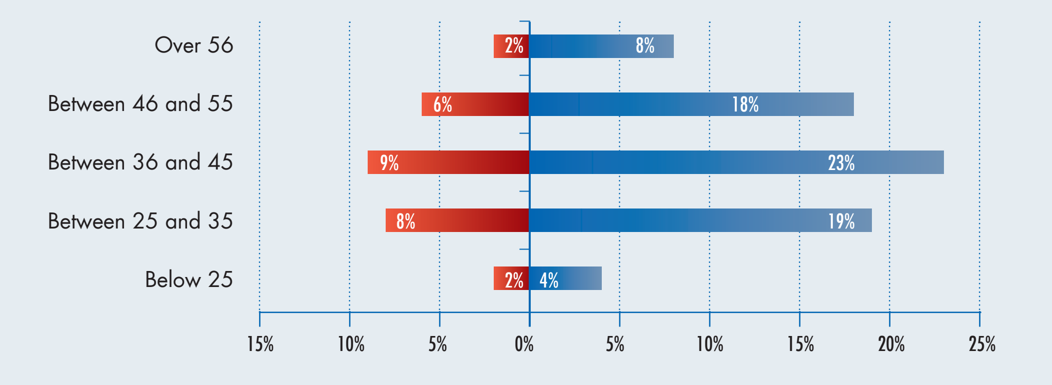
Quality assurance applies to, on the one hand, our products (eg the continuous certification of new products in accordance with established standards such as DVGW and ÖVGW), and, on the other hand, our modern production facilities, some of them new. At our largest production sites, we have implemented quality management systems according to ISO 9001. On the customer side, by introducing Customer Relationship Management (CRM) Systems and new Document and Service Management Systems to our branches in France and Germany, and through our customer service and internal efficiency, we have reduced our carbon footprint (particularly with regard to paper consumption and route planning).

Our point-of-use strategy in 2010 concentrated in particular on expanding the point-of-use product portfolio, surveying customer requirements and developing market strategy. We regard the dynamic development of the end consumer market, with its rapidly-changing trends and designs, as an opportunity and as a challenge. The patenting of our magnesium Mg^{2+} technology was a major milestone representing a unique customer advantage. Thanks to this base technology in ion exchange, the customer experiences a much better flavour of his drinking water, and therefore his hot beverages (coffee and tea) as well. The modern new point-of-use production at the Company's headquarters in Austria adheres to the highest quality and environmental standards. Following an inspection by an independent auditor at the end of 2009/beginning of 2010, new certificates in accordance with DIN EN ISO 9001:2008 and DIN EN ISO 14001:2008 were awarded. The certificates cover all process-relevant areas, from research and development; via acquisitions and logistics; all the way to quality and environmental management and controlling.

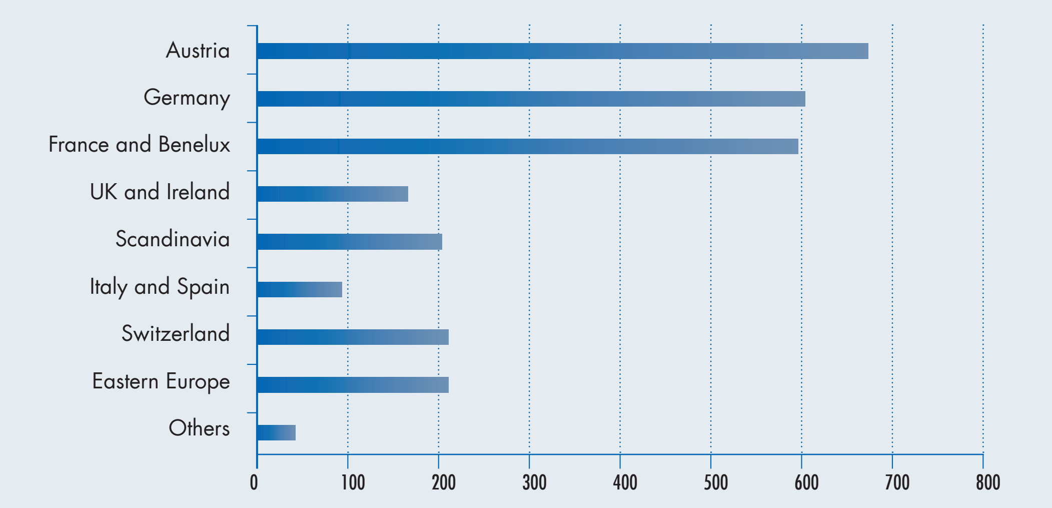
Employees

The shallow hierarchical structure and locally-based organization of the BWT Group permits direct dialogue with employees. Over 50 employees in the Group serve as workers' representatives on workplace councils. As has been the case since the founding of BWT, there were no strikes or labour disputes in 2010. The focal points of employee dialogue are the annual development talks and research into employee satisfaction, involving about 50% of employees each year. Despite the positive developments, they disclose further potential for improvement.

Employee age structure (women and men), proportion of the workforce



Employees broken down into countries



Education, vocational training, further training and work health and safety are major accents in employee development. Some 50% of our employees have attended internal or external training schemes in 2010. Our 50 trainees are employed mainly in Austria, Germany, France and Switzerland. Usually, over 90% of them are hired once they have completed their training. All in all, 11% of employees have completed apprenticeships. We also compile company-wide data on sick leave, accidents at work and employee fluctuation. They disclose positive trends, but also pinpoint tasks for the current year. All our sites offer voluntary social benefits to varying degrees, and include gendering measures (flexible working hours, additional benefits).

The group-wide Code of Conduct has been revised. It covers labour conditions and social standards (relating to SA 8000), as well as prohibition of bribery. The regulations are implemented at local level, and are the responsibility of middle management within the framework of the compliance organization. A comprehensive handbook on management includes all the regulations applicable to BWT for the benefit of the group's management.

Suppliers

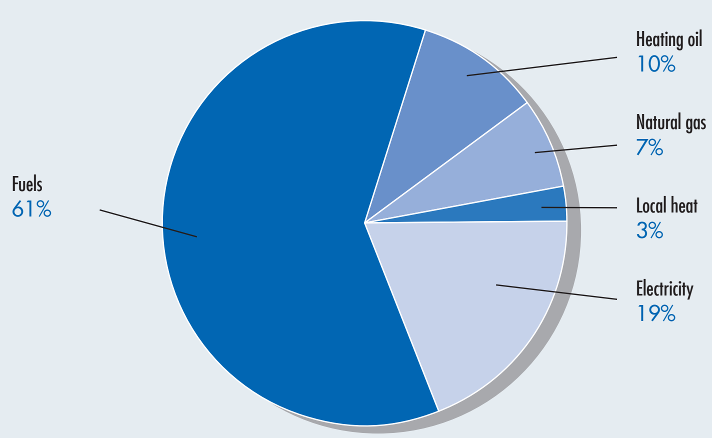
An adherence to BWT sustainability principles is to be safeguarded in the entire value added chain. The appraisal of suppliers is based on sustainable dialogue and partnership, and helps them improve their performance even further. Procurements are carried out through a centrally-coordinated Group procurement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

Environment

In the point-of-use segment, a quality and environmental management system was introduced and successfully certified (according to ISO 9001 and ISO 14001) at the end of 2009/beginning of 2010. As part of environmental management, BWT has set itself the goal of constantly reducing energy consumption and waste by, among other things, introducing re-usable packaging and intensively optimizing logistics, thus reducing the consumption of resources.

Metals and plastics account for three-quarters of the materials acquired by our initial suppliers. Metal is usually built into equipment as moulded parts. They are subsequently used in fittings. Some 65% of the brass we acquire is recycled. Remaining new materials come only from EU sources. Plastics are used for housing, construction elements etc. Some 10% of materials relate to packaging.

BWT Group energy in 2010



The BWT Group's energy consumption is about 47 GWh, of which about 20% goes on heating, 19% on electricity and over 60% on fuels. CO_2 emissions are primarily caused by the company's feet of vehicles, while the rest mainly come from heating buildings. Proximity to customers means that our employees have to make an intense use of vehicles for the purpose of sales and service. According to preliminary figures, about 9,590 tonnes of direct and 3,710 tonnes of indirect CO_2 emissions were produced in 2010. Pharma & Biotech and BWT UK were included in the consolidated financial statements for the first time. As a result of the expansion of service activities and the consolidation effects of acquisitions, a further increase is foreseeable which, however, should be limited by the acquisition of more economical vehicles and newer engine generations.

According to preliminary figures, 2,380 tonnes of waste were produced in 2010. Paper and cardboard accounted for almost one third of this. All our large sites have concluded contracts with recycling and waste processing firms so that used materials may be collected and disposed of professionally. Used materials are segregated into paper/cardboard, valuable materials (inkling foil), wood, metal and old appliances (from customers), and removed. The metal shavings that accumulate during production are given to a metal processing company. Old oils and lubricants are also collected by a certified waste disposal company. We have gained climate certificates worth 150 tonnes in return for the recycling of waste packaging.

In the products sphere, for many years BWT has been using the most modern water technology processes not only representing state-of-the-art technology, but also setting new standards. Many of our products are made with this new technology, guaranteeing a longer life and higher capacity. Backwash filters, water softening facilities, AQA total, UV and zone disinfection plants, membrane systems and complete installations, as well as the heating protection programme, are just some examples. The OSMOTRON PRO pharmaceutical water purification plant, which received a prize for innovation in 2010, achieves a record water utilisation of 90% and, with the aid of the Ecosalt technology, saves up to 30% salt and waste water.

Society

The highly positive product effects of the BWT product portfolio and the topics of hygiene, safety, health and water enjoy a high level of awareness in society. In many locations, BWT is a major regional employer. About 90% of the Group's companies are led by local managements. On average, two-thirds of our purchases are made locally in countries where we have our business.

In 2010, the BWT Group paid about 27% (previous year: 24%) of its earnings in taxes (€ 8.4 million). In addition, other taxes and charges came to € 2.5 million (previous year: € 3.0 million), and social security contributions came to € 27.7 million (previous year: € 24.5 million). As has been the case for many years, relief projects were also carried out in 2010, which included financial donations and involved the personal dedication and commitment of BWT employees to projects in the developing countries and to employees and other people in need in the region.

Investors and Banks

We refer readers to the chapter "Management Report" and to the Appendix, as well as to the section "The Share and Investor Relations."

For You.

Our Shareholders.

The BWT share has been a rewarding investment also financially, belonging to the most successful securities. Sustainable investors cannot forgo the subject of water and have fared very well with BWT. Having bought BWT at the end of 1992, you will be pleased with an average annual performance of 7.7%. Adding the yearly dividends – which incidentally have always remained stable or higher compared to a year earlier since 1992 – you arrive at even 9% per year. BWT is included in many sustainability funds and indexes and shows that ecologically and socially sustainable business models can not only earn "clean money", but also develop new markets for a more livable environment and world.

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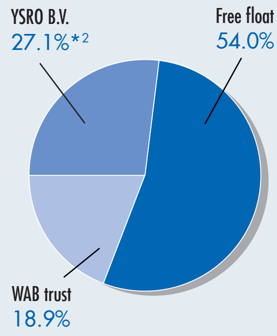
BWT
STAMMAKTIE
EINHUNDERT SCHILLING

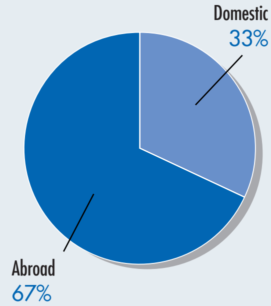
The BWT Share

Data and facts about the BWT share

Number of shares	17.8335 million*1, issued to bearer
Free float	54.0%
ISIN	AT0000737705
Bloomberg code	BWT AV
Reuters code	BWTV.VI
Main trading center	Vienna Stock Exchange
ADR program	Level 1, 1 ADR=1 Aktie, Bank of New York Mellon
Minimum price 2010	€ 17.97 (as at 31.8.10; 2009: € 10.26)
Average price 2010	€ 19.68 (2009: € 15.36)
Maximum price 2010	€ 23.22 (as at 26.04.10; 2009: € 21.84)
Year-end price 2010	€ 22.00 (2009: € 19.39)
Market capitalization	€ 392 million (as at 30.12.10; 21.12.2009: € 346 million)
Trading volume per day	24.071 shares (double counting, Vienna Stock Exchange, 2010)
Trading turnover per day	0.478 million € (double counting, Vienna Stock Exchange, 2010)
Index membership	ATX Prime, ViDX, WBI, S&P Global Water Index, NX-25 (ÖKO-INVEST), NAI (Natur-Aktien-Index), VÖNIX, Global Challenges Index (oekom)
Broker research	Erste Bank, UniCredit (Bank Austria), HSBC Trinkaus & Burkhard, Goldman Sachs

Shareholder structure

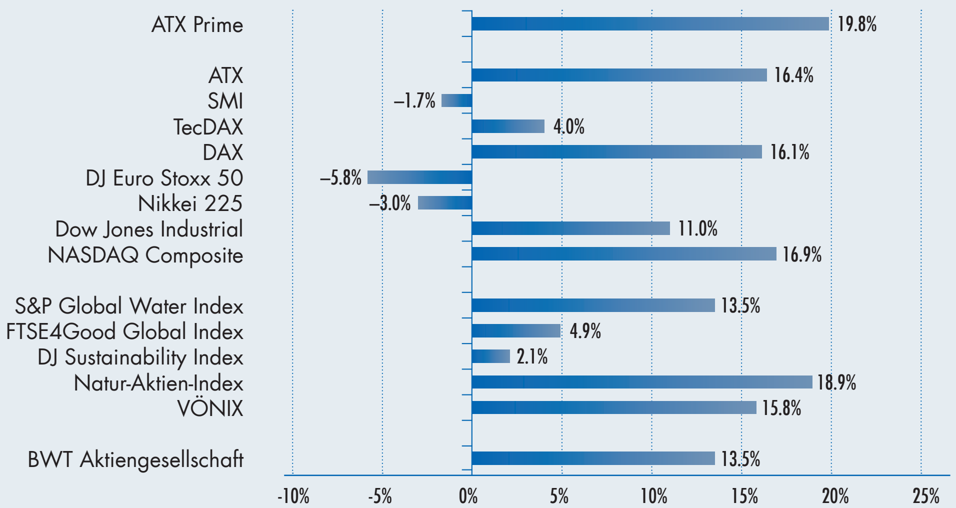




*1 *thereof roughly 0.6 million treasury shares as at December 31, 2010. More information ont the BWT share buyback on www.bwt-group.com in section Investor Relations.*

*2 *as at 31.12.2010 31.5%*

Index performance 2010 (in %)



Information per share	2010	2009	Change
Earnings (€)	1.32	1.32	unchanged
Dividend (€)	0.40*	0.40	unchanged
Book value (€)	9.19	8.57	+7%
P/E maximum	17.6	16.5	–
P/E minimum	13.6	7.8	–
P/E year-end	16.7	14.7	–

** Proposal to the Annual General Meeting*

BWT shares in 2010

In general, it can be stated that, in asset allocation, the debt crisis resulted in a renaissance in focusing on different countries (in comparison to the sharp trend towards the sector approach of recent years). Thanks to the massive monetary and fiscal support measures adopted primarily by the Federal Reserve Bank and the ECB and as a result of the solid development of consumer demand and good corporate data, most of the international equity markets performed positively in 2010. The US stock markets managed to achieve a good result in 2010, as did Germany's leading index, the DAX. On the other hand, the equity markets on the European periphery were badly scarred by the mood of crisis. A similar picture can be seen on the stock exchanges of the emerging markets. While relatively small markets such as Peru, Thailand or Chile were able to post strong gains, some of the biggest emerging markets, such as China, lagged far behind.

After the good recovery in 2009, the leading US stock markets initially had to accept losses in the first half of 2010. Only in the second half of the year did it prove possible to banish fears of a double-dip recession, thanks principally to positive corporate news. Following an annual low of 9,700 points at the start of July, the Dow Jones hit the 11,577 mark at the end of the year, which was equivalent to an annual growth of 11%. In Germany, the German share index, the DAX, rose by about 16% to 6,914 points in the period under review. The Austrian ATX performed equally well, also gaining by 16%.

There was no uniform picture for the sustainability indices in 2010. The failure of a new international agreement to reduce CO_2 emissions in November 2009 (Copenhagen) together with drastic cuts in subsidies had an adverse effect particularly on solar providers in Europe. In the wind energy sector, 10% fewer plants were put into operation in 2010 than in 2009. Furthermore, the BP share, which was included in some sustainability indices, had a negative impact on index performance. The Dow Jones Sustainability Index and the FTSE4Good Global Index only saw single-digit gains, whereas the Natur-Aktien-Index and Austria's VÖNIX had gained by 19% and 16% respectively at the end of the year.

After a performance of 76% in 2009, the BWT share gained by 13% in 2010, and at € 22.0 closed just below its annual high of € 23.22, already reached in April 2010.

Within the ATX Prime index, the BWT share ranked 29th in terms of its market capitalisation and 30th in terms of trading volume. With a trading turnover (annual volume of money) of about € 119 million in 2010, the liquidity of the share was almost as high as in the previous year, despite the share buyback. The average daily turnover of 24,071 shares (previous year: 31,367) was, on the other hand, 23% less than in the previous year.

In 2010 too, BWT AG continued its share buyback programme and repurchased 243,256 BWT shares. As of the end of 2010, the holdings of own shares therefore totalled 643,113 or 3.6% of shares issued. The market value of the own shares was € 14.1 million at the end of the year. Within the framework of the Annual General Meeting on 26 May 2010, an authorisation for the share buyback was again approved. More detailed information about the share buyback programme can be found on the homepage www.bwt-group.com.

Despite clear growth – in the last 20 years, revenues grew by an average of 8% per year – BWT is committed to a stable dividends policy. On average, during the past 10 years, roughly 30% of the net profit has been paid out to shareholders. In 2010, the payout ratio was also 30%, equalling € 6.9 million for shareholders. Due to the almost stable results of 2010 of € 1.32 per share, the Management Board will propose an unchanged dividend of € 0.40 per share to the Annual General Meeting in May 2011.

Following the sharp recovery in 2009, last year the Vienna Stock Exchange initially saw a volatile sideways movement. After a level of 2,500 at the start of the year, the ATX hit an annual low of around 2,200 points at the beginning of June and closed the year at an annual high of approximately 2,900 at the end of December 2010 following a constant upward trend that had begun in the summer. The number of trading members directly admitted to the Vienna Stock Exchange also increased further in 2010, from 92 to 97. The renewed growth in interest is also reflected in the net capital inflows from both traditional and alternative institutional investors. The proportion of small investors has reached a record high of 20% to 30%, according to the most recent research. The capitalisation of all Austrian stocks rose from € 77 billion to € 91 billion as at 31 December 2010. At approximately € 73 billion, the turnover of shares remained almost unchanged in comparison to the previous year. On the other hand, the introduction of the new regulation on the taxation of securities in Austria (2011) means that the Vienna Stock Exchange will be less attractive.

The inclusion of ESG (environmental, social and governance) criteria and therefore of sustainability and corporate social responsibility are constantly gaining in importance in capital investment. According to a current study carried out by Ipreo Research, the importance of the corporate governance teams of the top 100 ATX prime investors rose to 30%, more than tripling in the period from 2005 to 2010.

The supply of sustainable public funds in Germany, Austria and Switzerland grew in 2010, according to the Sustainable Business Institute (SBI). As at 31 December 2010, 354 funds were admitted to trading in the German-speaking countries, whereas at the end of 2009 there were only 313. The volume has also increased. Thus for 31 December 2010 the SBI states that there was a volume of about € 34 billion, while at the end of 2009 it was a total of € 30 billion. 25 funds with a volume of approximately € 700 million were established in 2010. Furthermore, towards the end of 2009, 34 funds were added, which have either already been admitted in other countries or have recently taken sustainability criteria into consideration.

Investor Relations

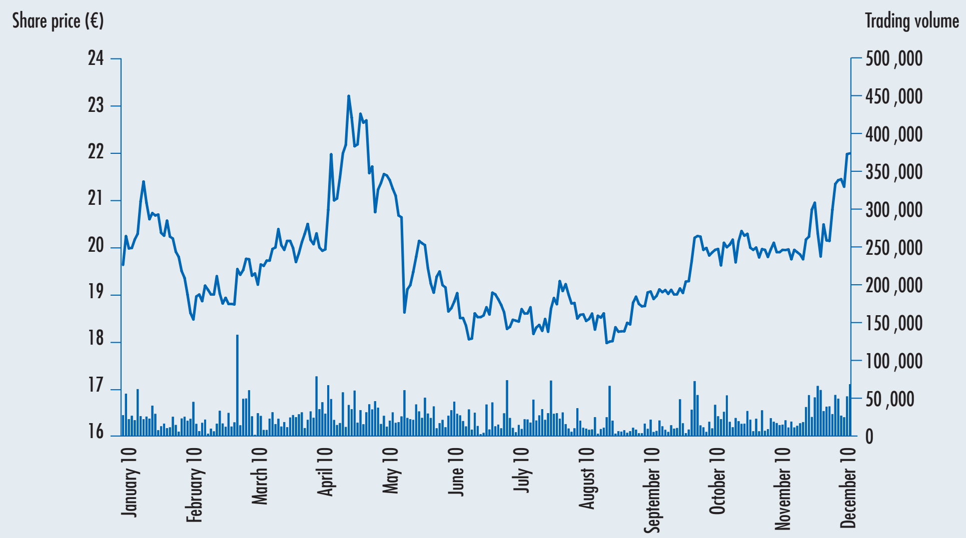
We are proud to be a listed public limited company, which offers all interested investors the possibility of participating in the area of water and in our development as the leading company in water technology.

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

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

Analyses of and reports on the BWT share were published in 2010 by the following banks: Bank Austria (UniCredit), Erste Bank, Goldman Sachs and HSBC Trinkaus. In order to further improve investors' familiarity with the BWT share and its unique positioning, in 2010 we participated in a total of 8 (previous year: 6) international investors' conferences and roadshows as well as a series of local private investor and sustainability events. An up-to-date roadshow calendar can be found on our website, as can further, comprehensive information about the BWT share.

BWT price chart 2010



Source: Wiener Börse AG

Information and contact:

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

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

Corporate Governance comprises all measures (structures, processes and rules) to ensure that actions of management and employees of a company are consistent with the interests of the shareholders. Since going public in 1992, BWT has been pursuing the goal of sustainable ecologically and economically-oriented value generation.

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

To avoid insider trading, a policy based on the Emittenten-Compliance-Verordnung (ECV – Regulation on Compliance for Issuers, current version: 2010) of the Austrian Financial Market Authority has been in place at BWT since 2002 and is implemented in the company by the Compliance Officer. The Code of Conduct which came into force in 2007 was amended in 2010 and is aimed at all employees and includes all the principles of conduct. It provides guidance on the fundamental ethical and legal duties of BWT employees.

The new Corporate Governance Code 2010 has now come into force – an evolution of the first version formulated in 2002 and amended in 2006 and 2008. The improvements primarily relate to the Supervisory Board regarding transparency and independence and compensation.

The Code comprises three rule categories:

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

BWT applies the Corporate Governance Code in the version 2010 in full with the following explanations:

The Executive Board

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

The share of female employees of the BWT Group is roughly 28%, the share of management roughly 18% and in the Supervisory Board 20%. Gendering measures include opportunities to better balance job and family like flexible working time (eg part time work) and home office.

The Supervisory Board

The Supervisory Board is composed of five members with high and long term experience in business administration and legal affairs elected by the General Meeting. Two members have been serving for more than 15 years. All members are Austrian citizens.

Supervisory Board member	First appointed	End of current term
Dr. Leopold Bednar (Chairman, born 1948)	July 5, 1991	2011
Dr. Wolfgang Hochsteger (Dep. Chairman, born 1950)	July 5, 1991	2011
Gerda Egger (born 1964)	May 24, 1996	2011
Dipl. Vw. Ekkehard Reicher (born 1941)	May 24, 1996	2011
Klaus Reinhard Kastner, MBA (born 1949)	May 23, 2001	2011

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

Independency of the Supervisory Board

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

Committees and activities of the Supervisory Board

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

Apart from the Audit Committee there is no committee established by the Supervisory Board of BWT AG. The following persons of the Supervisory Board form part of the Audit Committee: Dr. Bednar as Chairman, Ms. Egger and Mr. Reicher. The Audit Committee held 2 meetings in the year 2010 at which the year-end accounts and analysis and the internal control, revision and risk systems were discussed.

In the year 2010, the Supervisory Board held 4 ordinary meetings. The average rate of presence was 95%. No Member of the Supervisory Board attended less than 50% of the meetings. The main activities of the Supervisory Board in the reporting period are detailed in the Report of the Supervisory Board.

Internal auditing

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

Report on the compensation of the Management Board

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

In 2010, 85% of the total remuneration of the Management Board was fixed and 15% performance-related. No value has been determined for the variable maximum. Since there are only two Board Members, no indication on the individual compensation for each Board Member is given. There is no company pension plan. There are also no Management Board entitlements or individual legal rights should the function be terminated. There is a valid liability insurance protection for the management of the Group (D&O insurance).

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

Report on the compensation of the Supervisory Board

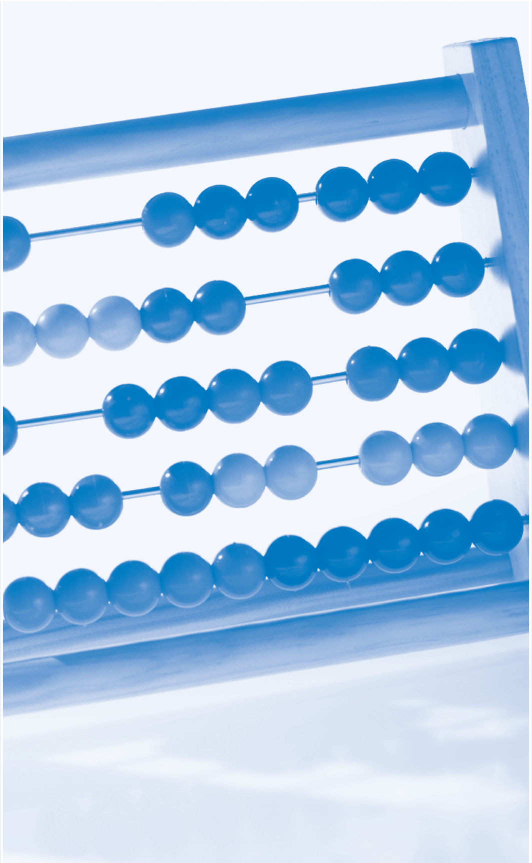
Compensation of the Members of the Supervisory Board was determined by the Annual General Meeting on May 20, 2010, for the financial year 2009. The members of the Supervisory Board received expense reimbursements totalling € 43,300 for the activities during the 2010 financial year (2009: € 51,600). The basic remuneration for the Members of the Supervisory Board amounts to € 7,500 (2009: € 7,500) per person, for the Chairman € 20,000 (previous year: € 20,000). Beyond that, there were compensations of travel costs.

BWT Aktiengesellschaft

CONSOLIDATED FINANCIAL STATEMENTS

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

2010



BEST WATER TECHNOLOGY

I. Consolidated statement of comprehensive income for financial year 2010

(Statement of comprehensive income continued on page 64)

	Note	2010 T€	2009 T€
Revenues	(1)	460,690.4	400,659.7
Other operating income	(2)	6,264.8	5,366.4
Changes in inventories of finished goods and work in progress		2,488.4	73.9
Own work capitalized	(2)	812.1	949.6
Raw materials supplies and purchased merchandise	(3)	–186,399.5	–158,647.5
Personnel expenses	(4)	–151,660.4	–128,775.3
Other operating expenses	(6)	–85,028.2	–73,920.7
Operating earnings before amortisation/depreciation		47,167.5	45,706.2
Depreciation and amortisation	(5)	–15,710.1	–18,913.1
Operating earnings		31,457.5	26,793.1
Share in earnings of associated companies	(11)	–38.9	197.6
Financial income	(7)	2,236.9	6,257.7
Financial expenses	(7)	–2,444.0	–2,904.3
Earnings before taxes		31,211.4	30,344.1
Income taxes	(8,17)	–8,366.1	–7,242.3
Earnings for the period		22,845.3	23,101.8
Of which:			
Shareholders of the parent company		22,725.1	23,002.9
Minority interest	(18)	120.2	98.9
Earnings per share (in €): basic = diluted	(27)	1.32	1.32
Number of shares issued		17,241,724	17,453,187

II. Consolidated balance sheet as at Decemer 31, 2010

ASSETS	Note	As at 31.12.2010 T€	As at 31.12.2009 T€
Goodwill	(9)	32,144.4	32,523.2
Other intangible assets	(9)	22,939.7	21,712.0
Property, plant and equipment	(9)	81,088.4	79,796.5
Financial investments	(10)	4,821.7	3,883.0
Interests in associated companies	(11)	0.0	236.4
Other receivables from third parties	(15)	779.7	777.8
Deferred tax assets	(17)	4,626.3	7,235.6
Non-current assets		146,400.2	146,164.6
Inventories	(12)	67,537.1	64,896.3
Trade receivables	(13)	68,116.0	65,533.9
Receivables from construction contracts	(13,14)	11,851.3	13,953.1
Profits tax assets	(13)	2,700.7	1,920.8
Other receivables from third parties	(13,15)	6,671.4	6,333.1
Cash and cash equivalents	(16)	17,583.0	16,164.1
Assets held for sale	(11)	197.5	0.0
Current assets		174,657.0	168,801.4
BALANCE SHEET TOTAL		321,057.2	314,965.9

EQUITY and LIABILITIES	Note	As at 31.12.2010 T€	As at 31.12.2009 T€
Subscribed capital		17,833.5	17,833.5
Capital reserves		17,095.8	17,095.8
Revenue reserves			
Accumulated profit/loss		141,208.3	125,359.4
Accumulated other earnings		–5,144.2	–1,393.2
Foreign currency translation		2,486.4	–1,017.0
Available-for-sale		1,002.4	444.0
Own shares		–11,245.4	–6,421.6
		163,236.8	151,901.0
Minority interest	(18)	634.7	927.9
Equity	(18)	163,871.5	152,828.9
Provisions for social capital	(19)	29,503.0	24,338.2
Deferred tax liabilities	(17)	1,546.2	5,967.7
Other provisions	(20)	2,145.6	2,274.4
Interest-bearing financial liabilities	(21, 25)	6,334.8	12,932.6
Other liabilities	(21)	1,251.8	525.8
Non-current liabilities		40,781.3	46,038.8
Current income tax liabilities		4,186.7	3,905.0
Other provisions	(20)	8,908.5	10,021.6
Interest-bearing financial liabilities	(21, 25)	21,055.9	21,149.8
Trade and other liabilities	(21)	34,813.2	38,102.9
Liabilities from construction orders	(14)	5,357.5	5,860.3
Other liabilities	(21)	42,082.6	37,058.6
Current liabilities		116,404.4	116,098.2
BALANCE SHEET TOTAL		321,057.2	314,965.9

III. Consolidated statement of cash flows for financial year 2010

		Note	2010 T€	2009 *) T€
+	Earnings before taxes		31,211.4	30,344.1
–	Profit (+loss) from the sale of property, plant and equipment and financial investments		–721.0	–4,219.6
+	Depreciation and impairment of intangible assets		9,995.2	10,550.8
+	Depreciation and impairment of property, plant and equipment		5,714.9	8,362.2
–	Write-ups of financial investments		0.0	–17.5
–	Increased (+decreased) inventories		–1,004.4	522.1
–	Increased (+decreased) receivables		–3,182.3	21,403.2
+	Increased (+decreased) trade and other liabilities		559.7	–6,328.4
+	Increased (+decreased) provisions		1,628.3	–2,142.0
–	Income tax paid		–9,927.2	–8,597.5
–	Share in earnings of associated companies		38.9	–197.6
	CASH FLOW from operating activities	(23)	34,313.5	49,679.9
–	Disbursements for property, plant and equipment and intangible assets		–14,864.5	–9,705.3
–	Disbursements for financial investments		–64.9	0.0
+	Proceeds from disposal of property, plant and equipment and intangible assets		4,722.4	506.3
+	Proceeds from disposal of financial investments		260.7	7,681.5
–	Disbursement for acquisition of minority shares and subsidiaries		–5,156.7	–16,673.9
	CASH FLOW from investment activities	(24)	–15,103.0	–18,191.3
–	Dividends paid out		–6,876.2	–6,629.5
–	Disbursements to minority shareholders		–35.8	–28.8
+	Proceeds from minority shares for capital increases		0.0	53.3
–	Share buy-back		–4,823.8	–1,129.0
+–	Change in notes payable		781.0	–1,231.1
+	Issue of non-current financial liabilities		6,165.3	10,218.4
–	Repayment of non-current financial liabilities		–12,260.1	–29,931,7
	CASH FLOW from financing activities		–17,049.6	–28,678.4
+–	Cash flow from operating activities		34,313.5	49,679.9
+–	Cash flow from investment activities		–15,103.0	–18,191.3
+–	Cash flow from financing activities		–17,049.6	–28,678.4
	Change in cash and cash equivalents		2,160.9	2,810.2
+	Opening balance of cash and cash equivalents		16,164.1	13,484.4
+–	Effects of changes in exchange rates		–742.0	–130.5
	Closing balance of cash and cash equivalents		17,583.0	16,164.1
	Composition of cash and cash equivalents	(16)		
	Cash-in-hand		160.0	119.7
	Bank balances, cheques		17,423.0	16,044.4
			17,583.0	16,164.1

Other disclosures:	2010 T€	2009 T€
Interest received	206.3	363.0
Interest paid	958.9	1,549.9

Interest received and interest paid are included in the CASH FLOW from operating activities.

IV. BWT Group: Consolidated changes in equity

	Sub-scribed capital	Capital reserves	Revenue reserves				Own shares	Total	Minority interest	Total
			Accumu-lated earnings	Other accu-mulated earnings	Foreign currency translation	Available-for-sale				(18)
	T€	T€	T€	T€	T€	T€	T€	T€	T€	T€
As at 31.12.2008	17,833.5	17,095.8	108,988.1	–226.7	–961.3	331.1	–5,292.6	137,767.9	383.8	138,151.7
Earnings for the period	0.0	0.0	23,002.9	0.0	0.0	0.0	0.0	23,002.9	98.9	23,101.8
Other earnings	0.0	0.0	0.0	–1,256.2	–55.7	112.9	0.0	–1,199.0	–1.2	–1,200.2
Total earnings for the period	0.0	0.0	23,002.9	–1,256.2	–55.7	112.9	0.0	21,804.0	97.7	21,901.7
Adjustments for acquisition of minority shares	0.0	0.0	0.0	84.2	0.0	0.0	0.0	84.2	0.0	84.2
Disbursements	0.0	0.0	–6,629.5	0.0	0.0	0.0	0.0	–6,629.5	–28.8	–6,658.3
Share buy-back 2009	0.0	0.0	0.0	0.0	0.0	0.0	–1,129.0	–1,129.0	0.0	–1,129.0
Acquisition of a subsidiary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	418.2	418.2
Other changes	0.0	0.0	–2.1	5.6	0.0	0.0	0.0	3.4	57.0	60.4
As at 31.12.2009	17,833.5	17,095.8	125,359.4	–1,393.2	–1,017.0	444.0	–6,421.6	151,901.0	927.9	152,828.9
Earnings for the period	0.0	0.0	22,725.1	0.0	0.0	0.0	0.0	22,725.1	120.2	22,845.3
Other earnings	0.0	0.0	0.0	–4,046.8	3,503.3	558.4	0.0	14.9	–1.8	13.2
Total earnings for the period	0.0	0.0	22,725.1	–4,046.8	3,503.3	558.4	0.0	22,740.0	118.4	22,858.4
Acquisition of minority shares	0.0	0.0	0.0	295.8	0.0	0.0	0.0	295.8	–375.8	–80.0
Disbursements	0.0	0.0	–6,876.2	0.0	0.0	0.0	0.0	–6,876.2	–35.8	–6,912.0
Share buy-back 2010	0.0	0.0	0.0	0.0	0.0	0.0	–4,823.8	–4,823.8	0.0	–4,823.8
As at 31.12.2010	17,833.5	17,095.8	141,208.3	–5,144.2	2,486.4	1,002.4	–11,245.4	163,236.8	634.7	163,871.5

Statement of comprehensive income

	2010 T€	2009 T€
Earnings for the period	22,845.3	23,101.8
Other earnings		
Actuarial gains/losses	–5,384.3	–1,665.0
Taxes thereon	1,337.4	408.8
Valuation of securities („available-for-sale“, pursuant to IAS 39)	744.5	150.6
Taxes thereon	–186.1	–37.6
Foreign currency translation	3,501.6	–56.9
Total amount of other earnings	13.2	–1,200.2
Total earnings for the period	22,858.4	21,901.7
Of which:		
Shareholders of the parent company	22,740.0	21,804.0
Minority interest	118.4	97.7

BWT GROUP
CONSOLIDATED
FINANCIAL STATEMENTS

NOTES

2010

BEST WATER TECHNOLOGY

V. Notes for 2010

General comments

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

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

BWT Aktiengesellschaft is represented around the world by 51 subsidiaries and employed 2,820 employees as at 31 December 2010 (previous year: 2,701).

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

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

All reporting for financial years 2010 and 2009 was prepared in T€ (€,000) (rounded in accordance with the commercial rounding method). Calculation differences related to rounding may occur for totals of the rounded amounts and percentages due to the application of automatic calculation aids.

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

Application of new and revised standards and interpretations

As at 1 January 2010, the Group has applied the new and revised IFRS standards and interpretations listed below.

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

- Improvements to IFRSs (April 2009), adopted on 23 March 2010, to be applied by 1 January 2010 at the latest.
- Improvements to IFRS 1 First-time Application of IFRS, adopted on 25 November 2010, to be applied starting from 1 July 2009.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement, adopted on 15 September 2009, to be applied starting from 1 July 2009.
- Amendments to IFRIC 9/IAS 39 Financial Instruments: Reassessments of Embedded Derivatives, adopted on 27 November 2009, to be applied starting from 30 June 2009.
- IFRIC 17 Distributions of Non-cash Assets to Owners, adopted on 26 November 2009, to be applied starting from 1 July 2009.

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, the application of which was, however, not yet mandatory:

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

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

Scope of consolidation

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

As a result of full consolidation, the consolidated balance sheet as at 31 December 2010 includes 50 (previous year: 58) subsidiaries, apart from BWT AG itself.

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

The scope of consolidation developed as follows in reporting year 2010:

As at 01.01.2010	60
Incorporated for the first time in the reporting year	1
Merged in the reporting year	–4
Closed in the reporting year	–6
As at 31.12.2010	51

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

Business combinations 2010

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

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

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

ASSETS	Note	Fair value at time of acquisition BWT UK T€
Fixed assets	(9)	2,005,7
Deferred tax assets	(17)	614,2
Inventories	(12)	2,108,8
Trade and other receivables	(13)	2,740,6
Other receivables from third parties	(13,14)	9,7
		7,479,1

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

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

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

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

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

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

Business combinations 2009

At the start of 2009, BWT AG acquired 80% of OOO BWT Russia. A provision of T€1,014 was recognised for purchase price adjustment regulations resulting from the acquisition of OOO BWT Russia.

As at 1 October 2009, BWT took over the pharmaceutical water activities of the Christ Water Technology Group, including a 49% equity interest in the Zeta Group. On 14 December 2009, the BWT Group exercised its call option for an additional 49% stake in the Zeta Group.

The BWT guideline "Safety, Hygiene and Health" in contact with water, the elixir of life, was further supplemented with pharmaceutical water. Under the brand Christ Aqua Pharma & Biotech, comprehensive solutions for pure water and ultrapure water, water for injection purposes, pure steam, cleaning systems (CIP/SIP), pharmaceutical waste water treatment and comprehensive services are offered.

At the same time, BWT is expanding its presence with sites close to customers in Switzerland, Germany, Sweden and Ireland, as well as in China and India.

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

ASSETS	Note	Fair value at time of acquisition Pharmaceutical water business T€	Fair value at time of acquisition OOO BWT Russland T€
Fixed assets	(9, 10)	25,660.1	–
Deferred tax assets	(17)	1,618.5	–
Inventories	(12)	3,853.6	–
Trade and other receivables	(13)	17,565.5	–
Receivables from construction contracts	(14)	2,853.3	–
Income tax claims		8.3	–
Other receivables from third parties	(15)	2,039.9	6.8
Liquid assets	(16)	3,229.0	20.0
		56,828.2	26.8

LIABILITIES	Note	Fair value at time of acquisition Pharmaceutical water business T€	Fair value at time of acquisition OOO BWT Russland T€
Provisions for social capital	(19)	171.6	–
Deferred tax liabilities	(17)	1,506.6	–
Interest-bearing financial liabilities	(21, 25)	14,362.9	–
Current income tax liabilities		344.1	–
Other provisions	(19)	3,968.8	–
Trade liabilities	(21)	15,872.7	–
Other liabilities	(21)	7,769.5	–
		43,996.3	0.0
Total identifiable net assets at fair value		12,831.9	26.8
less proportional net assets of minority shares		–414.3	–4.0
Goodwill on the basis of acquisitions	(9)	7,142.3	1,291.3
Total consideration		19,560.0	1,314.0
of which not yet paid purchase price		240.0	1,014.0
Liquid assets taken over		3,229.0	20.0
Purchase price paid		–19,320.0	–300.0
Cash flow for acquisition of the company		–16,091.0	–280.0

In addition to the aforementioned purchase prices, the BWT Group also paid a further T€302.9 for subsequent purchase price adjustments for acquisitions carried out in previous years, which results in cash flow for company acquisitions totalling T€16,673.9.

The fair value of trade receivables was T€17,565.5. The gross value of trade receivables amounted to T€17,698.3.

The newly created goodwill of €8.5 million comprises the value of the expected synergies arising from the acquisitions. It is not expected that the goodwill recognised can be treated as deductible for tax purposes. The non-controlling interest was stated at the value of the corresponding proportion of net assets.

The purchase price was supported by an external expertise created in accordance with the DCF method. As a result of subsequent negotiations relating to the purchase price, the resultant residual liability has not yet been conclusively determined. The transaction also included the acquisition of real estate in Aesch (Switzerland) under an asset deal worth €14.2 million, in respect of which liabilities in the same amount were taken over.

Within the course of the takeover, customary liabilities and guarantees, as well as warranty obligations, were assumed. At the time of the takeover, it was deemed unlikely that a claim would arise from these obligations.

Since the time of the acquisition, the companies of Christ Aqua Pharma & Biotech and OOO BWT Russia contributed €11.3 million in revenues and €0.3 million in earnings before taxes to the results of the BWT Group. If the takeovers had taken place at the start of the year, the companies would have contributed €40.6 million in revenues and €1.4 million in earnings before taxes to the results of the BWT Group.

The transaction costs of T€550.0 are recognised in the consolidated statement of comprehensive income under the item "Other operating expenses".

Consolidation method

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

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

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

The acquisition of shares conferring a decisive influence is recognised in accordance with the equity method (see notes on associates).

Intra-Group receivables and liabilities, expenses and income, as well as interim results, are eliminated.

Foreign currency translation within the Group

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

Apart from equity items, all balance sheet items are translated to the reporting currency using the middle spot exchange rate as at 31 December 2010. Items in the consolidated statement of comprehensive income related to foreign consolidated companies are translated using average exchange rates for the period. Differences from currency translation are recorded in other income. In the case of the withdrawal of a foreign business from the scope of consolidation, such currency differences are recognised in profit or loss.

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

Counter value = 1 €	Period-end exchange rate		Average annual exchange rate	
	31.12.2010	31.12.2009	2010	2009
Swiss franc	1.25	1.48	1.37	1.51
Polish zloty	3.98	4.10	4.00	4.35
Hungarian forint	277.95	270.42	276.51	281.44
Czech krone	25.06	26.47	25.26	26.50
US dollar	1.34	1.44	1.32	1.40
Swedish krone	8.97	10.25	9.49	10.59
Danish krone	7.45	7.44	7.45	7.45
Norwegian krone	7.80	8.30	8.00	8.69
Chinese renminbi	8.82	9.84	8.93	9.54
Pound sterling	0.86	–	0.86	–

Accounting and valuation principles

Intangible assets and property, plant and equipment

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

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

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

A positive difference in value resulting from a business combination is recognised as goodwill. Goodwill is tested for impairment on each balance sheet date from the point of view of its economic benefit. Decreases in the future benefit are booked as value impairment. Starting from the application of IFRS 3 in conjunction with IAS 36 and IAS 38, for the first time as of 2005, an annual impairment test is carried out for the value of existing goodwill on the basis of cash-generating units (CGUs).

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

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

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

Leased and rented assets

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

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

Financial investments

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

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

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

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

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

Interests in associated companies

The interests in an associate are carried in accordance with the equity method. An associate is a company over which the Group has a decisive influence and which is neither a subsidiary nor a joint venture.

In accordance with the equity method, the interests in an associate are recognised in the balance sheet at cost less changes to the Group's interest in the net assets of the associate that occurred after the acquisition.

The consolidated statement of comprehensive income contains the share of the Group in the results of the associate.

Inventories

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

Receivables

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

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

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

Receivables from construction contracts

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

Liquid assets

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

Employee benefits

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

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

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

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

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

Defined contribution plans exist at various consolidated companies on the basis of legal obligations. For defined contribution plans, the contributions are recognised as expenses in the period for which they are paid.

Provisions

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

Liabilities

Monetary foreign currency liabilities are recognised at the middle spot exchange rate of the currency concerned on the balance sheet date.

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

Derivatives

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

Translation into functional currency

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

Revenue recognition

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

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

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

Taxes

For individual companies, income tax expenses reported for the financial year comprise the income tax calculated on the basis of their taxable income multiplied by the tax rate to be applied in their respective countries ("actual taxes") and the changes in deferred tax items. Group taxation contracts exist between Group companies in Austria and a foreign company, which can be offset by tax profits and losses of the parent company (BWT AG) in accordance with statutory provisions.

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

Deferred tax assets and liabilities for financial year 2010 are based on the following tax rates:

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

The following tax rates were applied in financial year 2009:

Country	Tax rate	Country	Tax rate
Austria	25 %	Hungary	19 %
Germany	30 %	Ukraine	25 %
France	33 %	Czech Republic	20 %
Italy	31 %	Poland	19 %
Spain	30 %	China	25 %
Denmark	25 %	Russia	20 %
Sweden	26 %	India	34 %
Switzerland	21 %	Ireland	13 %

Earnings per share

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

Estimates and discretionary assumptions

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

Development costs are capitalised in keeping with the accounting policies described. The initial capitalisation of costs is based on the assessment of management that technical feasibility and commercial viability are demonstrable (see Note 9). In inventory measurement, the opinions of management regarding pricing and market trends are necessary to establish the amount of the values recognised (see Note 12). In the case of receivables, assumptions regarding the probability of default are necessary (see Note 13).

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

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

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

Government grants

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

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 France/Benelux segment was expanded after the acquisition of BWT UK Limited on 1 July 2010 and is now called France/Benelux/UK.

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

The clear increase in revenues of 20.1% recorded in the Austria/Germany segment is primarily due to the first full year consolidation of companies in the Pharma business area and zeta Group. Approximately three quarters of the 10.1% growth recorded in the France/Benelux/UK segment can be attributed to the acquisition of BWT UK in the middle of the year. In Scandinavia, the revenues downturn at the HOH Group was more than compensated for by the very good result posted by BWT Pharma & Biotech in Sweden, thus segment revenues increased by 4.6%. The increase of 4.1% in Italy/Spain was primarily attributable to the Italian company. Revenues in the Switzerland/Others segment rose strongly by 21.4%, the Pharma and zeta-related activities being responsible for approximately three quarters of this growth. In its home country of Austria, the company achieved total revenues of €63.8 million (previous year: €74.4 million) and the carrying amount of long-term assets excluding financial instruments and deferred tax assets amounted to €51.2 million (previous year: €51.8 million).

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

Segments of business regions

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

2009	Austria/ Germany T€	France/ Benelux/UK T€	Scandinavia T€	Italy/Spain T€	Switzerland/ Others T€	Elimination T€	Total T€
External sales	172,372.6	95,288.9	43,238.9	31,788.6	57,970.7	–	400,659.7
Internal sales	14,253.5	3,135.4	336.3	99.4	1,619.7	–19,444.3	0.0
Total	186,626.1	98,424.2	43,575.3	31,888.0	59,590.5	–19,444.3	400,659.7
Segment earnings (EBIT)	12,264.9	4,096.9	6,916.2	3,645.7	–130.5	–	26,793.1
Interest income	690.6	6.7	184.1	48.6	74.6	–643.4	361.2
Interest expense	–2,308.3	–474.3	–278.0	–135.5	–341.5	643.4	–2,894.3
Income from participations							6,084.0
Income taxes	–1,188.5	–1,701.5	–1,028.6	–2,003.5	–1,320.2	–	–7,242.3
Minority interest							–98.9
Annual results of the parent company shareholders							23,002.9
Earnings per share in €							1.32
Segment assets	167,091.8	52,103.8	34,820.6	23,783.0	75,761.5	–38,594.9	314,965.9
Segment liabilities	107,021.7	30,698.6	12,811.7	11,286.4	39,145.4	–38,594.9	162,368.9
Investments	14,134.7	1,917.4	218.7	78.0	1,506.2	–	17,855.0
Depreciation/ Amortisation	–6,550.6	–2,852.0	–323.8	–203.1	–1,846.2	–	–11,775.8
Impairment charges	–271.4	–850.0	–0.7	–	–6,015.9	–	–7,138.0

Notes to the consolidated statement of comprehensive income

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

NOTE 1: Revenues

In financial year 2010, the BWT Group's consolidated revenues went up by €60.0 million to €460.7 million, an increase of 15.0% on the previous year. Non-recurring effects, such as the full year consolidation of the pharmaceutical water treatment companies (only consolidated in the fourth quarter of the previous year), of the Zeta Group and of the UK company, acquired in the middle of the year, contributed €44 million (11.0%) to this growth. Growth assuming a comparable group structure was 4%.

The revenues of the Service and Spare Parts business grew by 4.5% to €99.7 million in 2010, representing 21.6% of the Group's revenues (previous year: 23.8%). The Point of Use business area recently posted strong growth rates with a result of €29.1 million, more than 46% up on the previous year. 6.3% of the Group's total revenues came from this product segment (previous year: 5.0%). The revenues of the Point of Entry business rose 16.3% in 2010 to €331.9 million, primarily due to the aforementioned non-recurring effects as a result of consolidation.

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

The other operating income is as follows:

	2010 T€	2009 T€
Income from disposal of property, plant and equipment	368.8	68.3
Rental/leasing and licence income	1,198.0	555.7
Income from bonus/commission agreements	296.1	253.3
Income from insurance damages	127.2	210.9
Income from further charging of transportation costs	896.3	828.3
Income from further charging of services	1,191.7	1,265.6
Income from written-down receivables and impairment losses	883.5	765.9
Other income	1,303.3	1,418.3
	6,264.8	5,366.4

Capitalised labour, overheads and material amounting to T€812.1 (previous year: T€949.6) principally consist of development costs to be capitalised according to IFRS. The item "Other income" also includes proceeds from the sale of raw materials and revenues from prior periods.

NOTE 3: Cost of materials and services

	2010 T€	2009 T€
Material expenses	165,833.5	143,961.2
Expenditure on services	20,566.0	14,686.4
	186,399.5	158,647.5

NOTE 4: Personnel expenses

	2010 T€	2009 T€
Wages	18,513.1	15,312.3
Salaries	99,190.9	84,556.5
Expenses for severance payments and pensions	3,153.5	1,853.2
Statutory social security contributions	27,696.9	24,537.2
Other social expenses	3,106.0	2,516.1
	151,660.4	128,775.3

The expenses for severance payments for Austrian Group companies include minor expenses for the employee welfare fund as required by law.

The average number of employees developed as follows:

	2010	2009
White collar workers	1,974	1,747
Blue collar workers	715	635
Apprentices	51	52
	2,740	2,433

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

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

	2010 T€	2009 T€
Scheduled depreciation/amortisation on property, plant and equipment and on other intangible assets	14,166.2	11,775.8
Impairment losses	1,543.8	7,137.3
	15,710.1	18,913.1

The impairment losses in 2010 concern impairment of goodwill. In the previous year, impairment losses related to the value adjustment for a property in Switzerland, capitalised research and development services and goodwill impairment.

NOTE 6: Other operating expenses

	2010 T€	2009 T€
Advertising expenses incl. entertainment costs	11,824.1	10,690.7
Fleet and travel expenses	13,041.5	10,442.7
Freight and warehousing	9,527.7	8,402.2
External staff	3,115.6	3,730.5
Rental and leasing expenses	12,475.1	10,362.1
Consultancy costs	3,227.9	3,577.0
Office, postal and telephone expenses	4,883.4	4,320.3
Commissions	5,704.3	5,385.2
Licence expenses	409.7	202.3
Insurance	1,935.6	1,563.5
Maintenance	4,684.6	3,219.1
Energy and fuel	2,284.0	2,032.6
Risks on receivables	815.5	886.9
Other taxes and fees	2,541.1	2,601.7
Cleaning expenses	1,252.2	1,046.7
Banking charges and other third-party costs	1,174.9	854.5
Exchange rate difference	161.7	–146.8
Other taxes and fees	5,969.4	4,749.6
	85,028.2	73,920.7

In financial year 2010, expenditure on services provided by the Group auditors Ernst &Young Wirtschaftsprüfungsgesellschaft m.b.H. in Austria amounted to T€195.8 (previous year: T€331.5). Of this amount, T€127.6 (previous year: T€145.0) related to auditing costs and T€68.2 (previous year: T€186.5) to other services.

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

NOTE 7: Financial income and financial expenses

	2010 T€	2009 T€
Profit distributions from equity interests	1,515.7	1,427.2
Income from profits of financial investments	463.7	4,453.5
Income from other securities	9.5	15.8
Other interest and similar Income	248.0	361.2
	2,236.9	6,257.7
Expenses from equity interests	58.2	9.4
Impairment losses of financial investments	0.0	0.7
Interest expense for social capital pursuant to IAS 19	1,266.7	1,260.4
Interest and similar expenses	1,119.1	1,633.9
	2,444.0	2,904.3

Financial expenses cover interest incurred on loans and expenses similar to interest. Moreover, interest expenses for social capital in accordance with IAS 19, as well as losses related to equity interests not subject to consolidation, are also presented in financial expenses. Income from financial investments includes interest, dividends and similar income arising from the investing of financial resources and from investing in financial assets. The decline compared with the previous year can be explained by non-recurring income from profits of financial investments in the previous year amounting to €4.5 million.

NOTE 8: Income tax

The effective tax rate for financial year 2010 is approximately 26.8% and approximately 23.9% for financial year 2009.

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

	2010 T€	2009 T€
Actual income taxes:		
Actual tax expense	9,125.6	8,682.5
Corporate income tax for previous years	–98.6	234.4
Deferred income taxes:		
Changes in tax assets and liabilities	–660.9	–1,674.6
Tax expense disclosed in the income statement	8,366.1	7,242.3

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

	2010 T€	2009 T€
On actuarial gains/losses IAS 19	–1,337.4	–408.8
On valuation of securities available for sale pursuant to IAS 39	186.1	37.6
Tax expense disclosed in Other earnings	–1,151.3	–371.2

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:

	2010 T€	2009 T€
Earnings before taxes	31,211.4	30,344.1
Income tax expense at tax rate of 25% (previous year: 25%)	7,802.8	7,586.0
Different foreign tax rates	–19.9	–19.8
Tax-free income from equity interests	–371.6	–1,458.2
Effects of local tax rate changes	15.4	10.3
Effect of non-recognised loss carryforwards	–20.4	450.9
Frist-time capitalization of previously non-recognised loss carryforwards	–466.7	–175.9
Tax expense for previous years	128.1	234.4
Permanent differences	1,298.3	614.6
Effective tax liability	8,366.0	7,242.3
Effective tax rate	26.8%	23.9%

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

Notes to the balance sheet

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

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

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

In testing for impairment, the recoverable value of cash generating units or individual companies is calculated based on the calculation of useful life, applying cash flow forecasts. Cash flow forecasts are based on financial plans approved by the management for a period of three years. The short-term discount rate adopted for cash flow forecasts is 7.16%, and for the terminal value 8.18% (2009: 8.19%/8.41%). Cash flows occurring after the period of three years are extrapolated assuming a growth rate of 1.0% to 3.0% (2009: 1.0% to 5.0%). A sensitivity analysis in which the discount rates were set at about 50 basis points higher in each case would not result in any further write-down of goodwill of cash generating units. There are sources of estimation uncertainty in respect to the assumption made relating to revenues, changes in working capital, investment plans and discount rate.

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

Development costs are only capitalised to the extent to which the necessary conditions in accordance with IAS 38 are fulfilled, in particular when the technical useful life is regarded as applicable. Expenses for research and development projects amounted to €6.2 million (previous year: €6.5 million), of which T€470.0 (previous year: T€537.9) were capitalised.

The balance sheet item "Land and buildings" comprises property with a value of T€19,848.8 (previous year: T€20,046.7).

Mortgage collateral amounts to T€12,208.4 (previous year: T€14,005.1).
Purchase commitments for major investment projects totalled T€874.6 (previous year: T€1,488.1) as at 31 December 2010.

NOTE 10: Financial investments

	Book value 31.12.2010 T€	Book value 31.12.2009 T€
Investments	3,459.0	2,583.3
Securities	1,362.7	1,299.7
	4,821.7	3,883.0

Investments relate to equity interests held in the following companies:

Company	Interest	Book value 31.12.2010 T€	Book value 31.12.2009 T€
Nomura Micro Science Co. Ltd., Japan	4.009%	2,332.5	1,587.9
Wiener Börse AG, Austria	0.790%	274.6	274.6
ADDUXI S.A., France	16.600%	0.0	52.6
Orige, France	8.850%	299.2	0.0
Syclope, France	8.850%	299.2	0.0
Male Water & Sewarage Company Ltd	11.940%	140.5	140.5
Other		412.2	527.6
		3,459.0	2,583.3

The securities comprise the following:

	31.12.2010 T€	31.12.2009 T€
Fund units	275.2	205.2
Other securities	1,087.5	1,094.5
	1,362.7	1,299.7

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

NOTE 11: Shares in an affiliated company

Since 31 December 2009, one company consolidated at equity was included in the consolidated financial statements. In Q4 2010, BWT decided to reduce successively its shareholding in Christ Nishotech Water Systems Pte. Ltd and sell it on to its Indian partner. As at 31 December 2010, the company consolidated at equity is recognised as held for sale. The income from the share sale is expected to equal the carrying amount.

NOTE 12: Inventories

	2010 T€	2009 T€
Raw materials and supplies	23,594.2	22,489.9
Unfinished goods	8,743.0	8,570.6
Finished goods and products	32,969.7	31,345.6
Services not yet invoiced	611.2	513.5
Prepayments	1,619.0	1,976.7
Total	67,537.1	64,896.3

As at 31 December 2010, valuation allowances of €6.0 million (previous year: €4.9 million) were recognised for carrying amounts in fair value less cost to sell of €16.6 million (previous year: €17.2 million). Among other things, the change relates to the transfer of a part of the product programme to the Austria/Germany segment. In the consolidated statement of comprehensive income, the valuation allowances on inventories are expensed in the amount of T€934.4 (previous year: T€685.5).

NOTE 13: Receivables and other assets

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

2009	Total T€	of which current T€	of which non-current T€
Trade and other receivables	65,533.9	65,533.9	–
Receivables from construction contracts	13,953.1	13,953.1	–
Profits tax assets	1,920.8	1,920.8	–
Other third-party receivables	7,110.9	6,333.1	777.8
Total	88,518.7	87,741.0	777.8

Maturity structure of trade receivables:

In T€	Total gross receivables	Neither past due nor impaired	Past due and impaired	Past due but not impaired		
				< 60 days	60 - 90 days	> 90 days
2010	71,121.0	51,890.7	4,371.1	11,172.5	1,008.6	2,678.0
2009	68,033.0	46,858.5	3,577.4	12,493.2	1,330.7	3,773.3

Change of impairment losses on receivables:

	2010 T€	2009 T€
Start of year	2,499.1	2,153.1
Impairments of receivables	1,508.9	1,420.1
Amounts written down due to uncollectability	–119.5	–308.3
Amounts from receivables written down received during the financial year	–60.8	–2.1
Impairment losses	–822.7	–763.8
End of year	3,004.9	2,499.1

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 2010, trade receivables were impaired to T€3,004.9. Such impairments are partially based on the number of reminder levels. Moreover, the Company runs individual impairment tests for material past due receivables.

We have no indications of default in the case of receivables which are not yet due.

NOTE 14: Receivables from construction contracts

Information regarding construction contracts	2010 T€	2009 T€
Contract revenues in the financial year	40,673.4	18,693.3
Cumulative costs until 31.12.	49,223.4	50,044.9
Cumulative profits realized until 31.12.	9,890.2	11,583.4
Cumulated losses realized until 31.12.	531.7	285.0
Prepayments received	52,597.5	56,179.9

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

Construction contracts with debit balances in relation to customers amounted to T€5,357.5 (previous year: T€5,860.3).

NOTE 15: Other receivables from third parties

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

NOTE 16: Cash and cash equivalents

	31.12.2010 T€	31.12.2009 T€
Bank balances	17,032.9	16,044.4
Cash at hand	160.0	119.7
Cheques	390.1	0.0
Total = cash and cash equivalents (net) in the cash flow statement	17,583.0	16,164.1

NOTE 17: 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 and are as follows:

	31.12.2010 T€	31.12.2009 T€
Deferred tax assets:		
Social capital provisions	2,484.7	739.1
Deferred tax claims arising from tax loss carryforwards	1,453.9	1,077.8
Various tax write-downs of non-current assets	2,420.4	2,638.7
Non-tax deductible receivables values	200.2	345.9
Non-tax deductible provisions	760.0	1,029.7
Other (temporary valuation differences)	474.2	150.9
Deferred tax claims	7,793.4	5,982.1
Deferred tax liabilities:		
Capitalized R&D	968.2	953.6
Various tax write-downs of property, plant and equipment	223.2	362.2
Revaluation of financial assets available for sale	334.1	148.0
Various taxation of land property	691.1	706.6
Differences due to production ordres (POC)	1,609.0	2,011.0
Revaluation of assets within the framework of acquisition price assignment	389.2	468.4
Other (temporary valuation differences)	498.5	64.3
Deferred tax liabilities	4,713.3	4,714.2
Deferred tax assets/(liabilities)	3,080.1	1,267.9
Recorded as follows in the balance sheet:		
Deferred tax claims	4,626.3	7,235.6
Deferred tax liabilities	–1,546.2	–5,967.7
Deferred tax assets/(liabilities)	3,080.1	1,267.9

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 taxes on existing losses carried forward amounting to T€1,453.9 (previous year: T€1,077.8) were capitalised, as these can be netted against future taxable profits. Deferred tax on losses carried forward were capitalised in the probable amount which can be netted against future taxable profits. In some countries, there is no time limitation regarding the use of loss carryforwards. Moreover, non-capitalised loss carryforwards amount to T€9,262.7.

NOTE 18: Equity

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

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

The major shareholders of the BWT Group as at 31 December 2010 are YSRO Holding B.V. with approximately 31.6% and WAB Privatstiftung with approximately 18.9%. The free float of 49.5% is held by Austrian and international investors. On 5 January 2011, YSRO Holding B.V. informed BWT that it had reduced its holding to 27.1%. As a result, the free float increased to 54%. BWT's shares are listed on the Prime Market of the Vienna Stock Exchange under International Security Identification No. AT0000737705. In the USA, BWT's shares are traded on the OTC market via a Sponsored Level 1 ADR Programme operated by the Bank of New York Mellon.

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

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

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

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

The resolution of the Annual General Meetings of 24 May 2007, 20 May 2008 and 26 May 2010 authorised the Management Board to buy back the Company's own shares. In 2010, 2009 and 2008, the Management Board exercised this right by conducting a total of three programmes. Between 18 February 2010 and 22 March 2010, 243,256 shares were acquired. On 10 February 2009, 75,000 shares were acquired, and between 20 November 2009 and 21 December 2009, 12,438 shares were acquired. Between 11 April 2008 and 25 May 2008, 39,404 shares were acquired, and between 28 August 2008 and 18 November 2008, 273,015 shares were acquired. In total, 643,113 own shares (equivalent to 3.61% of the share capital) were thus acquired at a cost of €11,245,400. The weighted purchase price was thus €17.49 per share.

A dividend payment was distributed for outstanding shares in financial year 2010 amounting to T€6,876.2 (previous year: T€6,629.5), which corresponds to €0.40 per share (previous year €0.38).

NOTE 19: Provisions for social capital

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

PROVISIONS FOR PENSIONS

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

Biometric calculation bases	2010	2009
Actuarial discount rate Eurozone	4.50%	5.50%
Actuarial discount rate Switzerland	2.50%	3.25%
Wage/salary trend Eurozone	3.00%	1.50%
Wage/salary trend Switzerland	1.50%	1.50%
Pension trend	0.00% – 1.00%	0.00% – 1.00%
Expected return on plan assets Switzerland	2.75%	3.40%
Expected return on plan assets Eurozone	3.80% – 4.20%	4.10%

Retirement age was established on the basis of the legal provisions in force in the individual countries. The turnover rate in Switzerland is based on the Swiss Federal Law on Occupational Old-Age, Survivors and Invalidity Pensions (BVG 2005), whereas in other countries the rate varied from 0% to 2% depending on age.

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

	2010			2009		
in T€	Without plan assets	With plan assets	Total	Without plan assets	With plan assets	Total
Present value of the pension obligations as at 1 January	16,518.3	19,555.1	36,073.5	15,714.1	15,888.9	31,603.0
Change in scope of consolidation	0.0	0.0	0.0	21.6	1,910.6	1,932.2
Expenses arising from time in service	96.2	3,604.5	3,700.7	90.1	2,185.0	2,275.2
Interest expenses	880.7	584.4	1,465.1	910.5	514.7	1,425.2
Pension payments	–1,061.4	–2,754.8	–3,816.2	–1,103.9	–1,394.4	–2,498.4
Actuarial profits/losses	2,044.5	2,940.9	4,985.4	885.9	408.1	1,294.0
Exchange rate differences	0.0	3,991.6	3,991.6	0.0	42.3	42.3
Present value of pension obligations as at 31 December	18,478.3	27,921.8	46,400.1	16,518.3	19,555.2	36,073.5
Plan assets	0.0	–25,008.5	–25,008.5	0.0	–19,135.0	–19,135.0
Provisions for pensions	18,478.3	2,913.3	21,391.6	16,518.3	420.2	16,938.5

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

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

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

in T€	2010	2009
Fair value of plan assets as at 1st January	19,135.0	15,959.0
Change in scope of consolidation	0.0	1,764.3
Expected yield	575.0	537.5
Employer contributions	1,057.6	798.6
Contributions of participants in the plan	2,707.2	1,545.9
Benefits paid out	–2,754.8	–1,394.4
Actuarial profits/losses	562.6	–112.4
Currency differences	3,726.0	36.5
Fair value of plan assets as at 31 December	25,008.5	19,135.0

The actual yield for the plan assets is the expected yield plus actuarial gains and losses. Employer contributions estimated for the next financial year are expected to have a similar value to those paid in financial year 2010.

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

in T€	2010	2009	2008	2007	2006
Present value of defined contribution-based obligations	46,400.1	36,073.5	31,603.0	32,857.1	33,839.4
Fair value of plan assets	25,008.5	19,135.0	15,959.0	15,412.5	14,986.3
Actuarial profits/losses of plans	21,391.5	16,938.5	15,644.0	17,444.6	18,853.1
Adjustments of DBO on the basis of experience	4,450.1	976.7	–1,763.2	–1,914.3	–603.4
Adjustments of plan assets on the basis of experience	562.6	–111.7	61.4	97.7	–

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

PROVISIONS FOR SEVERANCE PAYMENTS

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

Biometric calculation bases	2010	2009
Acturial discount rate	4.50%	5.50%
Wage/salary trend	3.00%	3.00%

The expected yield of the plan assets was calculated with an interest rate of 3.50%. Retirement age was established on the basis of the legal provisions in force in the individual countries. A turnover rate of between 0% and 12.0% was selected, depending on age. Changes in the present value of defined benefit obligations of the respective plans, divided into plans with and without plan assets, are as follows:

	2010			2009		
in T€	Without plan assets	With plan assets	Total	Without plan assets	With plan assets	Total
Present value of obligations (DBO) as at 1st January	5,400.4	1,527.7	6,928.1	4,954.6	1,316.1	6,270.7
Change in scope of consolidation	–618.7	0.0	–618.7	138.1	0.0	138.1
Reclassification	–78.3	78.3	0.0	0.0	0.0	0.0
Expenses arising from time in service	265.8	245.8	511.6	305.0	86.2	391.2
Interest expense	254.1	84.9	339.1	264.2	83.0	347.2
Severance payments	–405.8	–48.0	–453.8	–841.5	–36.7	–878.2
Actuarial profits/losses	630.4	114.7	745.0	580.0	79.2	659.1
Present value of obligations (DBO) as at 31st December	5,447.9	2,003.4	7,451.3	5,400.4	1,527.7	6,928.1
Plan assets	0.0	–582.9	–582.9	0.0	–605.6	–605.6
Provisions for severance payments	5,447.9	1,420.5	6,868.4	5,400.4	922.0	6,322.4

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

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

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

	2010 T€	2009 T€
Fair value of plan assets as at 1st January	605.6	565.5
Expected yield	20.5	33.6
Employer contributions	0.0	59.9
Benefits paid-out	–41.4	–53.3
Actuarial gains and losses	–1.8	0.0
Fair value of plan assets as at 31st December	582.9	605.6

The actual yield for the plan assets is the expected yield plus actuarial gains and less actuarial losses. Employer contributions estimated for the next financial year are expected to have a similar value to those paid in financial year 2010.

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

	2010 T€	2009 T€	2008 T€	2007 T€	2006 T€
Present value of contribution based obligation	7,451.3	6,928.1	6,270.7	6,185.9	6,033.6
Fair value of plan assets	582.9	605.6	565.5	548.3	–
Actuarial profits/losses of plans	6,868.4	6,322.5	5,705.2	5,637.6	6,033.6
Adjustments to DBO on the basis of experience	108.0	172.1	283.3	–133.6	–13.7
Adjustments to plan assets on the basis of experience	0.0	0.0	0.0	0.0	–

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

ANNIVERSARY BONUS PROVISIONS

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

Biometric calculation bases	2010	2009
Discount rate	4.50%	5.50%
Wage/salary trend	3.00%	3.00%

Retirement age was established on the basis of the legal provisions in force in the individual countries. A turnover rate of between 0% and 12.0% was selected, depending on age.

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

	2010 T€	2009 T€
Present value of obligations (DBO) on 1.1.	1,075.3	957.2
Service costs	122.0	89.4
Interest expense	58.0	59.1
Anniversary bonus payments	–60.1	–91.2
Actuarial gains/losses	47.8	60.9
Present value of obligations (DBO) on 31.12.	1,243.1	1,075.3

Actuarial gains/losses were recorded 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. Changes to the plan assets are recognised in a similar way.

In a sensitivity analysis calculation, the provision for anniversary bonuses would decrease by T€53.8 if the actuarial discount rate went up 50 basis points and increase by T€58.1 if the actuarial discount rate went down 50 basis points.

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

	2010	2009	2008	2007	2006
Present value of defined benefit obligations	1,243.1	1,075.3	957.2	924.7	904.0
Experience-based adjustments to DBO	–46.5	–0.5	–35.5	–14.1	5.6

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

NOTE 20: Other provisions

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

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

2009	01.01.2009	Change in scope of consolidation	Currency difference	Utilisation	Release	Addition	31.12.2009	of which non-current
	T€	T€	T€	T€	T€	T€	T€	T€
Guarantees	3,497.8	956.1	7.1	2,936.5	188.5	3,164.4	4,500.4	632.5
Bonuses, rebates	591.9	0.0	0.1	587.0	0.0	725.0	730.0	0.0
Annual financial statements	390.5	76.5	1.7	390.3	33.6	431.7	476.5	0.0
Litigation	537.6	28.5	0.8	513.0	19.0	239.2	274.2	0.0
Events causing damage	701.3	20.0	0.0	278.1	34.3	274.3	683.2	0.0
Other	3,979.2	2,887.7	12.0	2,517.0	585.7	1,855.5	5,631.8	1,641.9
	9,698.4	3,968.8	21.8	7,221.9	861.1	6,690.1	12,296.0	2,274.4

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

Other provisions include the provision for sale representatives' severance claims.

NOTE 21: Liabilities

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

2009	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€
Interest-bearing financial liabilities (repayments)	34,082.4	21,149.8	12,831.7	100.9	11,243.6
Trade liabilities	38,102.9	38,102.9	0.0	0.0	0.0
Other liabilities	37,584.4	37,058.6	525.8	0.0	0.0
Of which					
Payments on account	7,652.8	7,652.8	0.0	0.0	0.0
Liabilities from acceptance of bills of exchange drawn and from own bills of exchange issued	1,144.3	1,144.3	0.0	0.0	0.0
Other liabilities	28,787.3	28,261.4	525.8	0.0	0.0
	109,769.8	96,311.3	13,357.5	100.9	11,243.6
Existing interest payment obligations for interest-bearing financial liabilities	858.5	363.8	494.7	0.0	0.0
Non-discounted liabilities in accordance with IFRS 7.39 (a) (b)	110,628.3	96,675.1	13,852.2	100.9	11,243.6

Other liabilities include other tax liabilities of T€6,285.6 (previous year: T€7,055.1) and other social security liabilities of T€2,914.6 (previous year: T€2,634.2).

Collateral in rem mainly consists of mortgage rights.

NOTE 22: Other liabilities and uncertain liabilities

RENTAL AND LEASE AGREEMENTS

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

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

2009	T€
2010	10,365.8
2011–2014	13,420.2
thereafter	4,499.2

Total rent and leasing expenses in the financial year amounted to T€12,475.1 (previous year: T€10,362.1).

No significant finance lease agreements were concluded.

WARRANTIES AND GUARANTEES

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

Furthermore, an undertaking to purchase a property with a preliminary purchase price of approximately T€770.0 was signed, which is expected to be fulfilled in the financial year 2011.

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

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

PENDING LITIGATION

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

Notes to the cash flow statement

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

NOTE 23: Cash flow from operating activities

Cash flow from operating activities shows the cash flows arising from transactions made and received in goods and services carried out during the financial year. Cash flows from current operating activities of T€34,313.5 (previous year: T€49,679.9) include changes in working capital.

NOTE 24: Cash flow from investing activities

Expenses on purchases of plant, property and equipment, intangible assets and financial investments totalled T€15,384.6 (previous year: T€10,323.3). As at 31 December 2010, T€455.2 consisted of liabilities (previous year: T€618.0).

Outlays on acquisitions and takeovers of non-controlling interests totalled T€5,156.7 (previous year: T€16,673.9). The cash flow from investing activities also includes decreases in liquid assets of T€497.7 as a result of the disposal of subsidiaries.

NOTE 25: Financial instruments

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

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

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

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

If interest rates were 50 basis points higher, and all other variables remained constant, net interest income would be T€20.9 higher (previous year: T€16.3 lower). With interest rates lower by 50 basis points and other variables constant, interest earnings would be T€20.9 lower (previous year: T€16.3 higher). The tested interest rate fluctuations have no direct impact on equity.

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

EUR/CHF, EUR/USD and EUR/PLN were identified as the most relevant currency pairs for the Group in the long term. The EUR/CHF risk is primarily related to the Swiss companies' EUR balance sheet items from operating activities, as well as CHF financial items of EUR companies. The EUR/USD risk arises from USD balance sheet items. The EUR/PLN exchange rate primarily influences the Polish company. The following currency sensitivity analysis investigates the effects of an increase or decrease in the relevant currency pairs by 5% on the valuation of financial instruments as at the balance sheet date. This relates to the balance sheet date 31 December. The tested interest rate fluctuations have no direct impact on equity.

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

Impact on 2009 EBIT	Increase 5% in T€	Decrease 5% in T€
EUR/CHF exchange rate	–2.8	3.1
EUR/USD exchange rate	–73.0	80.7
EUR/PLN exchange rate	–104.5	115.5

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 time to make due payments or to obtain necessary guarantees and suretyships from banks. On the other hand, it should also be guaranteed that available liquidity and financial investments are provided or can be accessed by the company practically without risk and at short notice.

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

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

Non-discounted cash flow is detailed in Note 21.

Customer default/solvency risk

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

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

Default risk management:

BWT Group has trade receivables from a large number of customers distributed across various industries and regions. Credit assessments regarding the financial status of the receivables are carried out on an ongoing basis. Default insurance is taken out where appropriate. The default risk is limited to the recognised amount. As at 31 December 2010, the total of the five largest balances of outstanding receivables from individual customers amounted to T€3,510.8, i.e. 5.2% of outstanding trade receivables. As at 31 December 2009, that figure was T€4,657.7, i.e. 7.1%. Receivables from affiliated companies were not included in this figure, as made clear in Note 26.

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

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

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

Valuation categories of financial instruments

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

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

2009 in T€	Book value as at 31.12.2009	Loans and receivables	Liabilities at amortised cost	Available for sale	Held for trading purposes	Book value of financial instruments as at 31.12.2009	Not financial-instrument
Non-current assets							
Financial investments	3,883.0	–	–	3,883.0	–	3,883.0	–
Other receivables from third parties	777.8	777.8	–	–	–	777.8	–
Current assets							
Trade receivables	65,533.9	65,533.9	–	–	–	65,533.9	–
Other receivables from third parties	6,333.1	3,097.2	–	–	86.0	3,183.2	3,149.9
Cash & Cash equivalents	16,164.1	16,164.1	–	–	–	16,164.1	–
Non-current liabilities							
Interest-bearing financial liabilities	12,932.6	–	12,932.6	–	–	12,932.6	–
Other liabilities	525.8	–	525.8	–	–	525.8	–
Current liabilities							
Interest-bearing financial liabilities	21,149.8	–	21,149.8	–	–	21,149.8	–
Trade liabilities	38,102.9	–	38,102.9	–	–	38,102.9	–
Other liabilities	37,058.6	–	14,110.4	–	6.2	14,116.6	22,942.0

The fair value of financial instruments reflects the carrying amounts as at 31 December 2009.

Fair Value

Disclosures regarding fair value of financial instruments

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

Fair value hierarchy

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

2009	Level 1 T€	Level 2 T€	Level 3 T€	Gesamt T€
Non-current assets				
Financial investments	1,793.1	–	–	1,793.1
Current assets				
Other receivables from third parties	–	86.0	–	86.0
Current liabilities				
Other liabilities	–	6.2	–	6.2

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

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

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

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

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

Capital management

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

Net debt

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

	31.12.2010 T€	31.12.2009 T€
Interest-bearing financial liabilities	27,390.7	34,082.4
less cash and cash equivalents	–17,583.0	–16,164.1
Net debt	9,807.7	17,918.3
Net debt	163,871.5	152,828.9
Net debt in relation to equity	6.0%	11.7%

Interest bearing financial liabilities 2010

Non-bank financial liabilities

	Currency	Nominal amount in thd. local currency	Book value in T€	Effective interest in %
Other	EUR	79	79	2.92
	DKK	3,433	461	4.19
	Other	–	47	12.27
		Total	587	

Fixed-interest financial liabilities to credit institutions

2010	Currency	Nominal amount in thd. local currency	Book value in T€	Effective interest in %
Loan	EUR	1,868	1,868	2.50
	CHF	15,000	11,996	2.36
	CZK	2,187	87	5.77
		Sub-total	13,951	
Advances	EUR	327	327	4.44
		Sub-total	327	
		Total	14,278	

Variable-interest financial liabilities to credit institutions

2010	Currency	Nominal amount in thd. local currency	Book value in T€	Effective interest in %
Darlehen	EUR	4,600	4,600	1.72
	CZK	1,000	40	8.83
		Sub-total	4,640	
Current account	EUR	7,673	7,673	1.46
	Other	–	212	5.24
		Sub-total	7,885	
		Total	12,525	

Interest bearing financial liabilities 2009

Non-bank financial liabilities

2009	Currency	Nominal amount in thd. local currency	Book value in T€	Effective interest in %
Other	EUR	553	553	4.59
	DKK	3,870	520	4.11
	Other	–	158	9.62
		Total	1,230	

Fixed-interest financial liabilities to credit institutions

2009	Currency	Nominal amount in thd. local currency	Book value in T€	Effective interest in %
Loan	EUR	3,610	3,610	2.35
	CHF	15,000	10,111	2.36
	CZK	2,005	76	6.47
		Sub-total	13,796	
Advances	EUR	5,650	5,650	1.59
	CHF	5,500	3,707	1.00
		Sub-total	9,357	
		Total	23,154	

Variable-interest financial liabilities to credit institutions

Type	Currency	Nominal amount in thd. local currency	Book value in T€	Effective interest in %
Loan	EUR	4,772	4,772	1.67
	CZK	3,492	132	2.94
		Sub-total	4,904	
Current account	EUR	4,734	4,734	1.88
	CZK	1,595	60	4.55
		Sub-total	4,795	
		Total	9,698	

Derivatives

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

	Currency	31.12.2010 Nominal amount T€	31.12.2010 Market value T€	31.12.2009 Nominal amount T€	31.12.2009 Market value T€
Purchase of CHF futures against EUR	TCHF	1,110.0	7.8	370.0	0.3
Sale of CHF futures against EUR	TCHF	541.1	–23.7	0.0	0.0
Purchase of SEK futures against EUR	TSEK	5,900.0	0.4	0.0	0.0
Purchase of USD futures against EUR	TUSD	750.0	23.5	2,370.0	40.8
Sale of USD futures against EUR	TUSD	753.2	–9.7	174.6	0.1
Sale of SGD futures against EUR	TSGD	0.0	0.0	393.3	–5.4
Sale of GBP futures against EUR	TGBP	0.0	0.0	47.0	–0.8
Sale of USD futures against DKK	TUSD	0.0	0.0	920.0	39.0
Purchase of USD futures against CHF	TUSD	0.0	0.0	396.0	5.7

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

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

NOTE 26: Information on affiliated companies and persons

In 2010, the BWT Group did not receive any materials or services from affiliated companies and persons (previous year: T€2,899.1), but did provide affiliated companies and persons with materials and services amounting to T€ 3,033.4 (previous year: T€7,643.4). As at the balance sheet date 31 December 2010, BWT Group's receivables from affiliated companies and persons amounted to T€239.5 (previous: T€116.1) and its liabilities amounted to T€ 0.7 (previous year: T€0.0). Transactions with 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€739.4 (previous year: T€808.0). No payments were made to former members of the Management Board or to the survivors of such former members.

NOTE 27: Other information

Material events after the balance sheet date

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

Information on corporate bodies

Members of the Supervisory Board received reimbursement for compensation and expenses for their activities of T€43.3 (previous year: T€51.6) in the financial year 2010. There are no loans or credit guarantees granted to Management Board or Supervisory Board members.

The following persons were appointed as members of the Management Board in the financial year 2010:

- Mr Andreas Weißenbacher (CEO)
- Mr Gerhard Speigner

The Supervisory Board consisted of the following members in the financial year 2010:

- Dr Leopold Bednar (Chairman)
- Dr Wolfgang Hochsteger (Vice-Chairman)
- Mr Ekkehard Reicher
- Ms Gerda Egger
- Mr Klaus Reinhard Kastner

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.

	2010	2009
Annual earnings in T€ attributable to shareholders of the parent company	22,725.1	23,002.9
Weighted number of shares in circulation	17,241,724	17,453,187
Earnings per share in €	1.32	1.32

Proposal for profit distribution

Pursuant to the provisions of the Austrian Stock Corporation Act (Aktiengesetz), the separate financial statements of BWT AG as at 31 December 2010, drawn up in according with Austrian accounting regulations, provide the basis for the payment of dividends.

The Management Board proposes the following profit distribution to the Annual General Meeting of Shareholders to be held on 25 May 2011:
a) A dividend payment of €0.40 per share for outstanding shares;
b) Carrying forward the remaining amount to the new financial year.

The consolidated financial statements as at 31 December 2010, drawn up in accordance with IFRS, were approved by the Management Board on 25 February 2011.

Mondsee, am 25.02.2011

Andreas Weißenbacher	Gerhard Speigner
Vorstandsvorsitzender	Finanzvorstand

Overview of the material participations

As of December 31 2010, the scope of consolidation comprises the following companies:

Abbreviation	Company, location	Total in %	Indirectly in %	via	Consoli-dation
BWT	BWT Aktiengesellschaft, Mondsee				
BWTGMBHA	BWT Austria GmbH, Mondsee	100.000%			F
NEHER	Manufactur für Glas und Spiegel GmbH, Villach	100.000%	100.000%	BWTGMBHA	F
ASBET	Aqua Service Beteiligungen GmbH, Mondsee	100.000%			F
IAM	IAM - Immobilien Asset Management GmbH, Mondsee	100.000%	100.000%	ASBET	F
BWTGS	BWT Group Services GmbH, Mondsee	100.000%	100.000%	ASBET	F
BWTM	BWT Malta Holdings Ltd., Valetta	100.000%	100.000%	BWTGS	F
BWTITC	BWT International Trading Ltd, Sliema	100.000%	100.000%	BWTM	F
ANNA	ANNA International Limited, Msida	100.000%	100.000%	BWTM	F
APS	Arcana Pool Systems GmbH, Gerasdorf	100.000%			F
BWTD	BWT Wassertechnik GmbH, Schriesheim	100.000%			F
FUMA	FuMA-Tech GmbH, St. Ingbert	100.000%	100.000%	BWTD	F
W&MD	Water & More by BWT GmbH, Wiesbaden	100.000%	100.000%	BWTD	F
W&MI	WATER & MORE ITALIA S.R.L., Bresso	100.000%	99.800%	W&MD	F
			0.200%	CCI	F
W&MESP	Water + More Iberica S.L., Barcelona	100.000%	99.800%	W&MD	F
			0.200%	CILSP	F
BWT HU	BWT Hungaria KFT, Budaörs	93.000%			F
HPOOL	hobby-pool technologies GmbH, Oranienbaum	100.000%	100.000%	BWTD	F
INET	INET InterEko Technik Spol. sr.o.	80.000%	80.000%	HPOOL	F
BWTB	BWT Belgium nv/sa, Zaventem	100.000%	100.000%	BWTD	F
BWTF	BWT France S.A.S., Paris	100.000%			F
CAET	Christ Aqua AG, Aesch	100.000%			F
BWTINTCH	BWT International AG, Aesch	100.000%			F
CCI	Cillichemie Italiana S.R.L., Mailand	100.000%			F
CILSP	Cilit S.A., Barcelona	100.000%	100.000%	CCI	F
BWTP	BWT Polska Sp.z.o.o., Warschau	100.000%			F
BWTUKR	BWT Ukraine, Kiev	99.800%	99.800%	BWTP	F
BWTCR	BWT Ceska Republika s.r.o., Prag	100.000%			F
HOHDK	HOH Water Technology A/S, Greve	100.000%			F
HOHVAT	HOH Vattenteknik AB, Malmö	100.000%	100.000%	HOHDK	F
HOHBC	HOH Birger Christensen AS, Rud	100.000%	100.000%	HOHDK	F
HOHSEP	HOH Separtec OY, Raisio	100.000%	100.000%	HOHDK	F
BWTPRC	BWT Water Technology (Shanghai) Co. Ltd.	100.000%			F
BWTNL	BWT Nederland BV, Zoeterwoude	100.000%			F
BWTRU	OOO BWT, Moskau	80.000%			F
BWTUK	BWT UK Limited	100.000%			F
PLSBET	P & LS Beteiligungs GmbH, Mondsee	100.000%			F
PLSHOLD	P & LS Holding GmbH, Mondsee	100.000%	100.000%	PLSBET	F
PLSD	BWT Pharma & Biotech GmbH, Vaihingen	100.000%	100.000%	PLSHOLD	F
PLSCH	BWT Pharma & Biotech AG, Aesch	100.000%	100.000%	PLSHOLD	F
PLSNORD	BWT Pharma & Biotech AB, Malmö	100.000%	100.000%	PLSHOLD	F
PLSIRL	Best Water Technology (Ireland) Ltd., Ashbourne	100.000%	100.000%	PLSHOLD	F
PLSCN	Christ Pharma & Life Science (Shanghai) Ltd, Shanghai	100.000%	100.000%	PLSHOLD	F
ZETAHOLDA	zeta Holding GmbH	100.000%	100.000%	BWTITC	F
ZETABIOA	Zeta Biopharma GmbH, Tobelbad	100.000%	100.000%	ZETAHOLDA	F
ZETAVERFD	Zeta- Bio- und Verfahrenstechnik GmbH i.L., Bahretal	100.000%	100.000%	ZETAHOLDA	F
ZETACZ	Zeta Bio Pharma S.r.o., Uvaly	100.000%	100.000%	ZETAHOLDA	F
ZETAAUTOD	Zeta Automation GmbH, Freising	80.000%	80.000%	ZETAHOLDA	F
CANISHO	Christ Nishotech Water Systems Pte. Ltd, Mumbai*	49.000%	49.000%	PLSHOLD	E

F = fully consolidated, E = at equity consolidated
*as at 31.12.2010 at equity and reclassified to assets available for sale.

Development of fixed assets (Appendix V.2.)

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

2009 in T€	ACQUISITION/PRODUCTION COST						
	1.1.2009	Currency difference	Reclassi-fication	Initial consoli-dation	Additions	Disposals	31.12.2009
Intangible assets	67,652.2	–3.5	273.1	14,852.1	2,399.9	366.3	84,807.4
Goodwill	29,399.5	0.0	–300.0	8,433.6	112.2	0.0	37,645.3
Other intangible assets	38,252.6	–3.5	573.1	6,418.5	2,287.8	366.3	47,162.1
Concessions, rights, licenses	25,937.6	–3.7	573.1	6,418.5	1,749.9	366.3	34,309.1
R & D capitalized (self-provided)	12,315.0	0.2	–	–	537.9		12,853.0
Tangible assets	136,082.8	176.2	–273.1	18,989.2	8,035.5	3,702.7	159,307.9
Land and Buildings	65,723.4	41.4	11.7	16,045.7	157.6	16.7	81,963.1
Lands	13,450.5	9.8	–	6,586.4	0.0	–	20,046.7
Buildings	52,272.8	31.5	11.7	9,459.3	157.6	16.7	61,916.3
Technical equipment and machinery	33,770.8	2.5	1,231.9	1,630.9	4,109.8	1,409.4	39,336.3
Factory and office equipment	34,862.7	94.6	150.4	1,285.9	2,629.1	2,242.1	36,780.5
Prepayments and construction in progress	1,725.9	37.8	–1,667.1	26.8	1,139.1	34.5	1,228.0
TOTAL	203,734.9	172.7	0.0	33,841.4	10,435.4	4,069.0	244,115.4

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

AMORTIZATION/DEPRECIATION							BOOK VALUE	
1.1.2009	Currency difference	Reclassi-fication	Initial consoli-dation	Depre-ciations	Disposals	31.12.2009	31.12.2009	31.12.2008
22,564.9	–1.9	0.0	3,528.9	4,833.4	353.1	30,572.2	54,235.3	45,087.2
560.0	0.0	0.0	0.0	4,562.0	0.0	5,122.1	32,523.2	28,839.5
22,004.9	–1.9	0.0	3,528.9	271.4	353.1	25,450.1	21,712.0	16,247.7
14,458.5	–2.1	–	2,384.9	–	353.1	16,488.2	17,821.0	11,479.1
7,546.4	0.2	–	1,144.0	271.4	–	8,961.9	3,891.1	4,768.6
71,837.3	98.9	0.0	8,246.9	2,303.9	2,975.6	79,511.4	79,796.5	64,245.5
22,753.9	5.8	0.0	2,216.2	2,303.4	0.2	27,279.0	54,684.1	42,969.5
0.0	–	–	–	–	–	0.0	20,046.7	13,450.5
22,753.9	5.8	–	2,216.2	2,303.4	0.2	27,279.0	34,637.3	29,518.9
22,853.9	4.6	–	2,735.5	–	916.0	24,678.1	14,658.2	10,916.8
26,229.4	88.5	–	3,295.2	0.5	2,059.4	27,554.3	9,226.2	8,633.3
0.0	–	–	–	–	–	0.0	1,228.0	1,725.9
94,402.2	96.9	0.0	11,775.8	7,137.3	3,328.7	110,083.6	134,031.8	109,332.7

Statement of all Legal Representatives

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

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

Mondsee, 25th February 2011

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

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

Audit certificate

(Independent auditor´s report)

Report on Consolidated Financial Statements

We audited the enclosed Consolidated Financial Statements of BWT Aktiengesellschaft, Mondsee, for the accounting year from January 1, 2010 to December 31, 2010. The Consolidated Financial Statements include the Consolidated Balance Sheet at December 31, 2010, the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the accounting year ending on December 31, 2010 as well as a summary of the accounting policy applied, and the Notes.

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

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

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

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

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

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

Audit opinion

Our audit did not give rise to any objections.
In our assessment, on the basis of findings obtained during the audit, the Consolidated Financial Statements comply with the statutory regulations and provide a true and fair view of the financial and asset position of the Group as at December 31, 2010 as well as of the results and the cash flows of the Group for the accounting year from January 1, 2010 to December 31, 2010 in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

Report on the Consolidated Annual Report

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

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

Linz, 25th February 2011

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner
Auditor

Mag. Johanna Hobelsberger-Gruber
Auditor

Supervisory Board Report

In financial year 2010, the Supervisory Board of BWT Aktiengesellschaft performed the tasks required of it by the provisions of statute and the Articles of Association of the Company as well as gathered information about the strategy, business position and plans of BWT AG and the BWT Group at four regular board meetings. Two meetings of the audit committee (to which three of the five Supervisory Board members belong) and an informal verbal and written exchange of information supplemented the ongoing communication between the Supervisory Board, the Management Board and the auditor. The Supervisory Board did not appoint any committees except for the audit committee, and all tasks are discussed and decided on by the Supervisory Board as a whole.

In March 2010 the audit committee met in order to analyse, together with the Management Board, the annual financial statements of BWT Aktiengesellschaft and the BWT Group for the 2009 financial year. The auditors presented the results of their audit. It was then recommended that the whole Supervisory Board approve the annual financial statements presented. At its meeting in September 2010 the audit committee, together with the Management Board, determined the priorities for the 2010 consolidated annual financial statements.

Apart from monitoring business development and the most important key figures in the Group on an ongoing basis, in 2010 the Supervisory Board was particularly involved in preparing the Annual General Meeting in accordance with the regulations of the new Austrian Stock Corporation Amendment Act 2009 (Aktienrechtsänderungsgesetz -ARÄG) and also attended to the acquisition project in the UK. The new BWT market appearance with its advertising strategy and the comprehensive investment programme planned in the next two years for expanding capacity in the Point-of-Use business were also important features of the Supervisory Board's work. The effects of these projects were also discussed when reviewing and resolving the budget for the 2011 financial year.

In September 2010 the Supervisory Board decided to extend the two current Management Board member mandates by a further five years. The Supervisory Board also satisfied itself regarding the proper shaping of the instruments employed in the Group concerning the internal control system in the accounting process and risk management.

The repurchase of more own shares, implemented in financial year 2010, was also supported by the Supervisory Board.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Linz, the auditors appointed on 26 May 2010 at the 20th Regular Annual General Meeting, audited the annual financial statements including the management report of BWT Aktiengesellschaft as at 31 December 2010, as well as the consolidated financial statements, and issued the following opinion on the basis of that audit:

a) Individual financial statements: "Our audit did not raise any objections. Based on the findings during the audit, the auditor is of the opinion that the annual financial statements meet the statutory provisions and reflect the most true and fair picture of the asset and financial position of BWT Aktiengesellschaft as at December 31st, 2010, as well as the results standing of the company for the financial year from January 1st to December 31st, 2010, pursuant to the Austrian principles of diligent accounting. In our opinion, the financial report is congruent with the annual financial statements. The statements pursuant to § 243a UGB (Austrian Business Code) are appropriate.

b) Consolidated financial statements: Our audit did not raise any objections. Based on audit findings the auditor is of the opinion that the annual consolidated financial statements meet the statutory provisions and reflect the most true and fair picture of the asset and financial position as well as the cash flows of the Group as at December 31st, 2010, as well as the results standing and cash flows of the Group for the financial year from January 1st to December 31st, 2010, pursuant to the International Reporting Standards (IFRSs), as applicable in the EU. In our opinion, the Group's financial report is congruent with the annual consolidated financial statements. The statements pursuant to § 243a UGB (Austrian Business Code) are appropriate.

The Supervisory Board approves the annual financial statements of BWT Aktiengesellschaft, as well as the consolidated financial statements as at December 31st, 2010, drawn up by the Management Board. Herewith, the accounts are established pursuant to the provisions of § 125 (2) Aktiengesetz (Austrian Companies Act). Moreover, the Supervisory Board supports the proposal of the Management Board regarding the utilization of the annual result.

Mondsee, March 8th, 2011

Dr. Leopold BEDNAR
Chairman of the Supervisory Board

Financial definitions

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

Water technology definitions

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

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

BWT Group Locations

Headquarters
BWT Aktiengesellschaft
A-5310 Mondsee, Walter-Simmer-Straße 4
Tel. +43/6232/5011-0
Fax +43/6232/4058
E-Mail: office@bwt.at
www.bwt-group.com, www.bwt.at

BWT Group Locations

AUSTRIA
BWT Austria GmbH
A-5310 Mondsee, Walter-Simmer-Straße 4
Tel. +43/6232/5011-0
Fax +43/6232/4058
E-Mail: office@bwt.at
www.bwt.at

Office:
water+more Austria
c/o BWT AG
A-5310 Mondsee
Walter-Simmer-Straße 4
Tel. +43/6232/5011-1164
Fax +43/6232/4058
E-Mail: info@water-and-more.de
www.water-and-more.com

arcana pool systems gmbh
A-2201 Gerasdorf bei Wien, Brünner Str. 186
Tel. +43/2246/28555-0
Fax +43/1/2246-28555-10
E-Mail: office@arcanapoolsystems.at
www.arcanapoolsystems.com
www.mypool.at

Manufactur für Glas und Spiegel GmbH
A-9523 Villach/Landskron, Emailwerkstr. 25
Tel. +43/4242/41671-0
Fax +43/4242/41671-6
E-Mail: office@neher.at
www.neher.at

zeta Biopharma GmbH
A-8144 Tobelbad, Paracelsusweg 1
Tel. +43/3136/9010-0
Fax +43/3136/9010-9100
E-mail: office@zeta.com
www.zeta.com

BELGIUM
BWT Belgium BV.
B-1930 Zaventem, Leuvensesteenweg 633
Tel. +32/2/758 03 10
Fax +32/2/758 03 33
E-Mail: bwt@bwt.be
www.bwt.be

Office:
water+more by BWT Belgium NV
Leuvensesteenweg 633
B-1930 Zaventem
Tel. +32/2/758 03 10
Fax +32/2/758 03 33
E-Mail: info.water-and-more@bwt.be
www.water-and-more.com

DENMARK
HOH Water Technology A/S
DK-2670 Greve, Geminivej 24
Tel. +45/43/600 500
Fax +45/43/600 900
E-Mail: hoh@hoh.dk
www.hoh.dk

Office:
water+more Denmark
c/o HOH Water Technology A/S
DK-2670 Greve, Geminivej 24
Tel. +45/43/970 297
www.hoh.com

GERMANY
BWT Wassertechnik GmbH
D-69198 Schriesheim, Industriestraße 7
Tel. +49/6203/73-0
Fax +49/6203/73-102
E-Mail: bwt@bwt.de
www.bwt.de

water+more by BWT GmbH
D-65183 Wiesbaden
Spiegelgasse 13
Tel. +49/611/580 19-0
Fax +49/611/580 19-22
E-Mail: info@water-and-more.de
www.water-and-more.com

FuMA-Tech Gesellschaft für funktionelle
Membranen und Anlagentechnologie GmbH
D-66386 St. Ingbert, Am Grubenstollen 11
Tel. +49/6894/9265-0
Fax +49/6894/9265-99
E-Mail: office@fumatech.de

D-71665 Vaihingen/Enz, Steinbeisstraße 41-43
Tel. +49/7042/97024-0, Fax DW 99
E-Mail: skb@fumatech.de
www.fumatech.de

BWT Pharma & Biotech GmbH
D-71665 Vaihingen
Steinbeisstraße 41-43
Tel. +49/7042/910-0
E-mail: office@christaqua.com
www.christaqua.com

zeta Automation GmbH
D-85354 Freising, Münchner Straße 8
Tel. +49/8161/9921-0
Fax +49/8233/208-47
E-mail: office @zeta.com
www.zeta.com

FINLAND
HOH Separtec Oy
FIN-21201 Raisio, Varppeenkatu 28
P.O. Box 19
Tel. +358/2/4367 300
Fax +358/2/4367 355
E-Mail: hoh@hoh.fi
www.hoh.fi

FRANCE
BWT France SAS
F-93206 Saint Denis Cedex
103, rue Charles Michels
Tel. +33/1/49 22 45 00
Fax +33/1/49 22 45 45
E-Mail: bwt@bwt.fr
www.bwt.fr

Office:
Permo
F-93206 Saint Denis Cedex
103, rue Charles Michels
Tel. +33/1/49 22 46 46
Fax +33/1/49 22 46 50
E-Mail: permo@permo.tm.fr
www.permo.tm.fr

Cillit
F-67013 Strasbourg Cedex
15 a, Avenue de l'Europe
B.P. 80045 – Schiltigheim
Tel. +33/3/90 20 04 20
Fax +33/3/88 83 50 90
E-Mail: cillit@cillit.tm.fr
www.cillit.tm.fr

CPED SAS – Centre Pilote Eau Douce
F-95805 Cergy Pontoise Cedex
14, rue du Petit Albi - BP 38400
Tel. +33/1/34 20 10 70
Fax +33/1/34 20 10 79
E-Mail: cped@cped.fr
www.cped.fr

CPS SAS
F-95805 Cergy Pontoise Cedex
14, rue du Petit Albi - BP 38400
Tel. +33/1/34 20 10 70
Fax +33/1/34 20 16 89
E-Mail: cped@cped.fr

Office:
water+more by BWT
F-93206 Saint Denis Cedex
103, rue Charles Michels
Tel. +33/1/64 66-88 35
Fax +33/1/64 77-25 03
www.water-and-more.com

IRELAND
Best Water Technology Ireland Ltd.
Unit 2A Ashbourne Business Park
Ashbourne
Co. Meath, Ireland
Tel. +35/31/849 87 00
Fax +35/31/849 87 01
E-Mail: office@christaqua.com
www.christaqua.com

ITALY
Cillichemie Italiana Srl
I-20129 Milano
Via Plinio, 59
Tel. +39/02/2046343
Fax +39/02/201058
E-Mail: info@cillichemie.com
www.cillichemie.com

water+more Italia S.r.l
I-24121 Bergamo
Via Angelo Maj, 10
Tel. +39/035 210738
www.water-and-more.com

MALTA
BWT International Trading Ltd.
Tower Gate Place, Tal-Qroqq Street
Msida MSD 1703, Malta
Tel. +356/2131 3060
Fax +356/2131 3064
E-Mail: International.trading@bwtmalta.com.mt

NETHERLANDS
BWT Nederland BV
NL-2382 NA Zoeterwoude, Energieweg 9
Tel. +31/71/750 36 66
Fax +31/71/589 46 80
E-Mail: sales@bwtnederland.nl
www.bwtnederland.nl

NORWAY
HOH Birger Christensen AS
N-1386 Asker
Røykenveien 142 A

Postal mail:
P.O. Box 136
N-1371 Asker
Tel. +47/67/17 70 00
Fax +47/67/17 70 01
E-Mail: firmapost@hoh.no
www.hoh.no

POLAND
BWT Polska Sp. z o.o.
PL 01-304 Warszawa, ul. Połczynska 116
Tel. +48/22/665 26 09
Fax +48/22/664 96 12
E-Mail: bwt@bwt.pl
www.bwt.pl

SWEDEN
HOH Vattenteknik AB
P.O. Box 9226
S-213 75 Malmö (Postal mail)
Kantyxegatan 25
S-213 76 Malmö (Shipments)
Tel. +46 40 691 45 00
Fax +46 40 21 20 55
E-Mail: info@vattenteknik.se
www.vattenteknik.se

BWT Pharma & Biotech AB
Kantyxegatan 25
P.O. Box 9226
S-213 75 Malmö
Tel. +46/4031 5440
Fax +46/4031 5449
E-Mail: nordic@christaqua.com
www.christaqua.com

SWITZERLAND
Christ AQUA AG
CH-4147 Aesch/BL, Hauptstraße 192
Postfach 127
Tel. +41/61/755 88 99
Fax +41/61/755 88 90
E-Mail: info@christ-aqua.ch
www.christ-aqua.ch
www.christ-aquadrink.ch

BWT International AG
CH-4147 Aesch/BL, Hauptstraße 192
Postfach 130
Tel. +41/61/755 88 55
Fax +41/61/755 83 10
E-Mail: info.pm@bwt-international.com
www.bwt-group.com

BWT Pharma & Biotech AG
CH-4147 Aesch / BL, Hauptstraße 192
Tel. +41/61/7558 259
Fax +41/61/7558 499
www.christaqua.com
info@christaqua.com

SPAIN
Cilit SA
E-08940 Cornellá de Llobregat, Barcelona
P. I. del Este, C/Silici, 71 - 73
Tel. +34/93/474 04 94
Fax +34/93/474 47 30
E-Mail: cilit@cilit.com
www.cilit.com

water+more Iberica S.L.
E-08302 Mataró (Barcelona)
TCM 2 6°Pl – Ofic. 20
Avda. Ernest Lluch, 32
Tel. +34/93/702 32 04
www.water-and-more.com

CZECH REPUBLIC
BWT Česká republika s.r.o.
CZ 251 01 Říčany, Lipová 196 - Čestlice
Tel. +42/272 680 300
Fax +42/272 680 299
E-Mail: info@bwt.cz
www.bwt.cz

zeta Biopharma s.r.o.
CZ-250 82 Ùvaly, Riegerova 12
Tel. +420/281 866 807
Fax +420/281 866 813
E-Mail: office@zeta.com
www.zeta.com

HUNGARY
BWT Hungária Kft.
H-2040 Budaörs (Budapark)
Keleti utca 7
Tel. +36/23/430-480
Fax +36/23/430-482
E-Mail: info.bp@bwt.hu
www.bwt.hu

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
BWT UK Limited
BWT House, The Gateway Centre,
Coronation Road, High Wycombe
Buckinghamshire. HP12 3SU
United Kingdom
Tel. +44/1494 838 100
Fax +44/1494 838 101
E-Mail: enquiries@bwt-uk.co.uk
www.bwt-uk.co.uk

UKRAINE
BWT Ukraine Ltd.
UA 04073 Kiev, Ukraine
Moskovskiy av. 6, of 602
Tel. +38/44 390 76 18
Fax +38/44 390 76 19
E-Mail: bwt@bwt.com.ua
www.bwt.com.ua

CHINA
BWT Water Technology (Shanghai) Co., Ltd.
Christ Aqua Pharma & Biotech (Shanghai), Ltd.
No. 248, Xintuan Rd., Building #12,
Qingpu Ind. Zone, 201707 Shanghai, P.R.C.
Tel. +86/21/5986 7100
Fax +86/21/5986 7101
E-Mail: info@bwt.cn
www.bwt.cn
www.christaqua.com

RUSSIA
OOO BWT
Ul. Kasatkina 3A
129 301 Moscow
Russian Federation
Tel. +7/495/686 6264
Fax +7/495/686 7465
E-Mail: info@bwt.ru
www.bwt.ru

INDIA
Christ-Nishotech Water Systems Pvt. Ltd.
Plot No. W159, MIDC Pawane, TTC
Industrial Area,
Navi Mumbai 400 705, India
Tel. +91/222761 9274
Fax +91/222761 9278
E-Mail: info@christ-nishotech.com
www.christ-nishotech.com

Financial Calendar 2011:

2010 Annual results	01.04.2011
Annual General Meeting (Vienna)	25.05.2011
Ex-dividend date	27.05.2011
Dividend payment date	03.06.2011
Quarterly Report I/2011	06.05.2011
Quarterly Report II/2011	05.08.2011
Quarterly Report III/2011	11.11.2011

Imprint:
BWT Annual Report 2010

Edition and Layout:
BWT Aktiengesellschaft

Print:
Offset 5020
Druckerei und Verlag Gesellschaft m.b.H.
Bayernstraße 27
A-5027 Siezenheim

Information and Inquiries:
BWT Aktiengesellschaft
A-5310 Mondsee
Walter-Simmer-Straße 4
Phone: +43-6232-5011-1113
Fax: +43-6232-5011-1191
E-Mail: investor.relations@bwt-group.com
www.bwt-group.com

Printed on FSC-certified paper

UZ-LZ 794