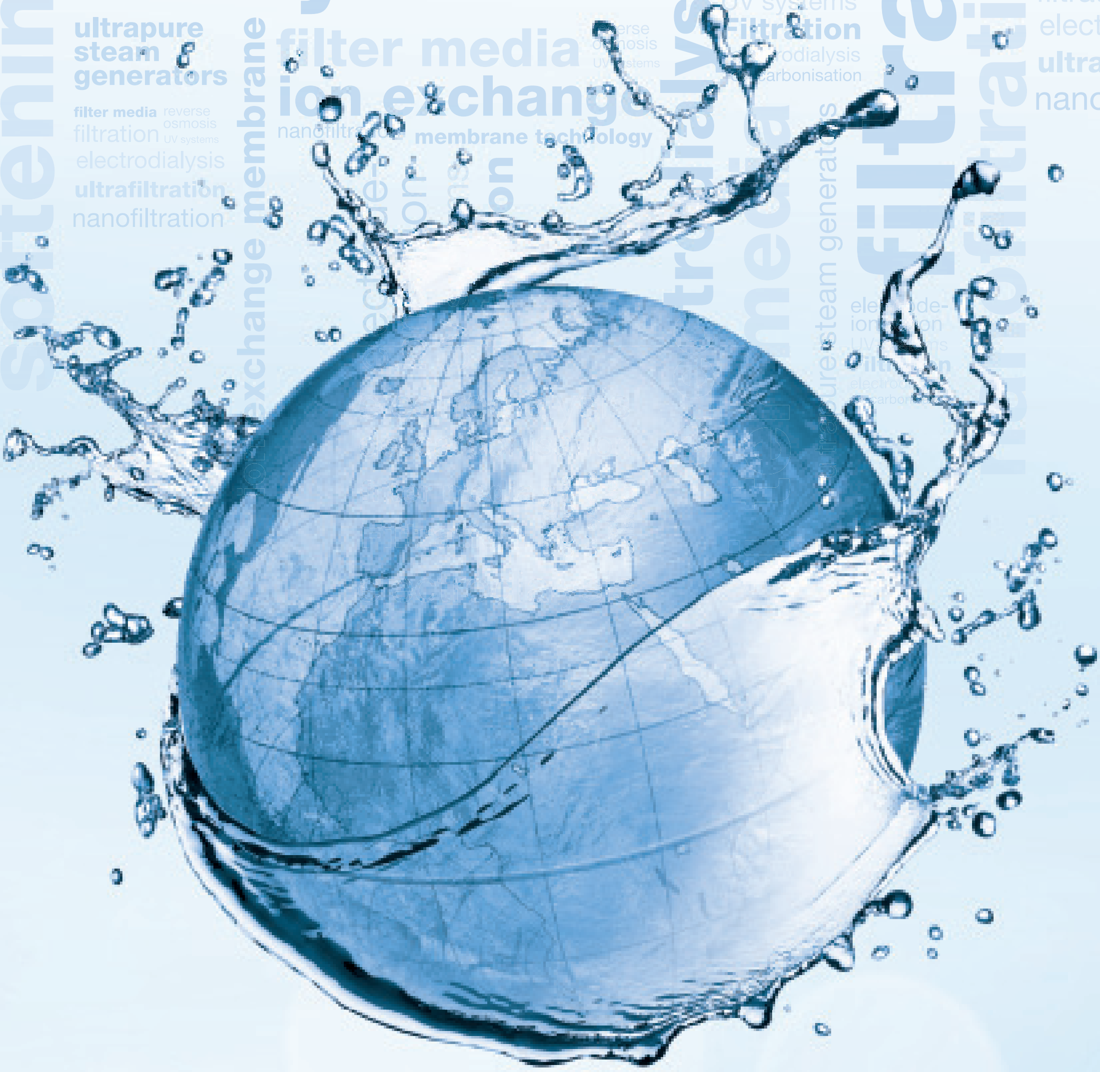
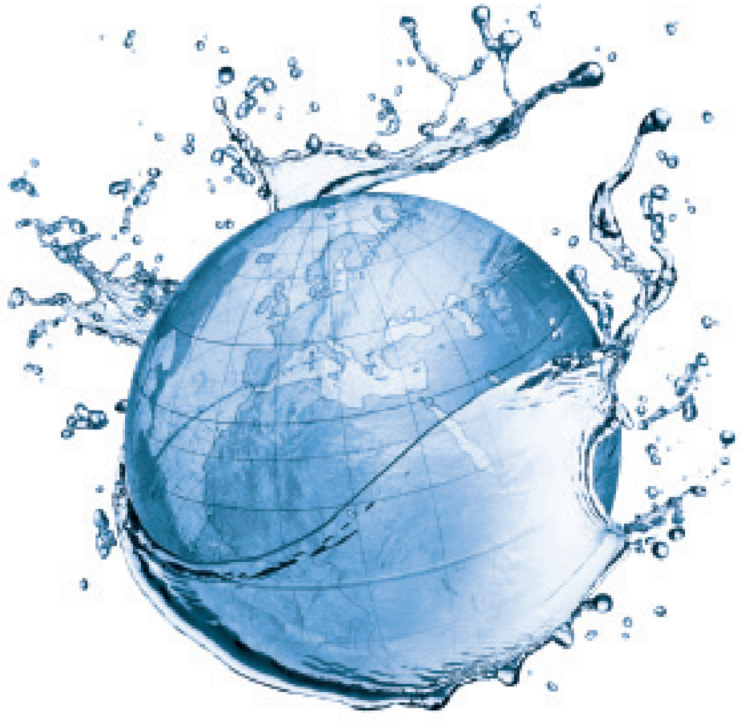
BWT Annual Report 2012



BWT
BEST WATER TECHNOLOGY

For You and Planet Blue.

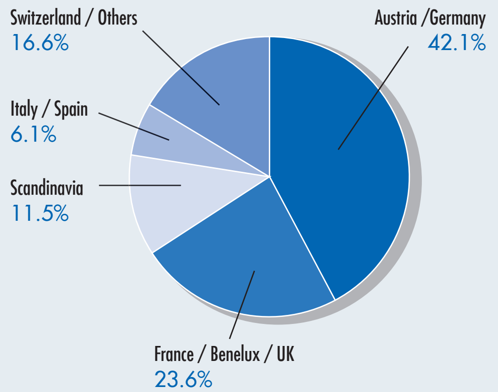


Overview		IFRS 2012	IFRS 2011	IFRS 2010
Consolidated group sales	million €	502.3	478.9	460.7
EBITDA	million €	40.8	39.1	47.2
EBIT	million €	22.2	21.7	31.5
Earnings before taxes	million €	20.7	19.9	31.2
Consolidated net earnings	million €	14.4	13.8	22.8
Cash flow from operating activities	million €	30.1	26.4	34.3
Number of shares (31/12)	million	16.8	16.8	17.2
Earnings per share	€	0.87	0.80	1.32
Dividends and bonus per share	€	0.28*	0.28	0.40
Investment in tangible and intangible assets	million €	36.3	21.6	14.9
Equity	million €	168.4	162.6	163.9
Employees as of 31/12	persons	2,726	2,689	2,820

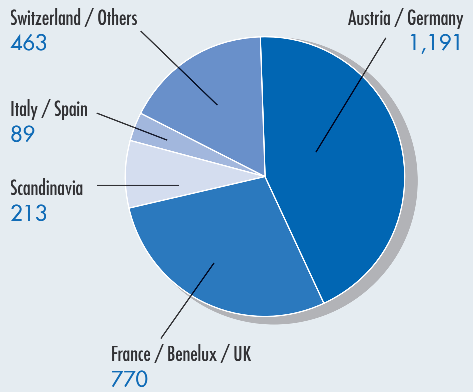
*) Proposal to the AGM **) Spin-off of AST-segment as of end October 2005

Summary of balance sheet	2012		2011	
ASSETS	million €	%	million €	%
Non-current assets	170.4	48.3	151.5	45.7
Current assets	182.4	51.7	179.7	54.3
TOTAL ASSETS	352.7	100.0	331.3	100.0
EQUITY AND LIABILITIES	million €	%	million €	%
Equity	168.4	47.7	162.6	49.1
Non-current liabilities	61.1	17.3	56.6	17.1
Current liabilities	123.2	35.0	112.1	33.8
TOTAL LIABILITIES	352.7	100.0	331.3	100.0

Sales 2012 by business segment (in %)



Employees by business segment as of 31/12/2012

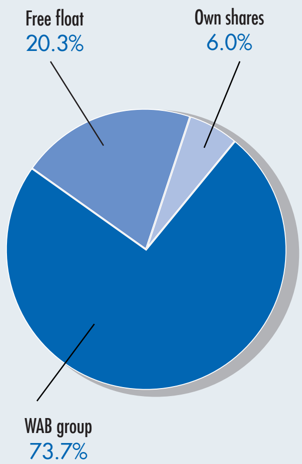


IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
2009	2008	2007	2006	2005**	2004	2003	2002
400.7	410.2	397.5	362.0	463.5	488.1	416.0	431.0
45.7	40.2	45.3	40.9	36.8	37.8	28.0	39.7
26.8	29.2	36.3	32.6	27.0	24.9	13.6	24.4
30.3	27.0	35.3	31.8	25.7	22.9	11.4	20.4
23.1	20.6	26.3	22.2	19.0	17.1	7.7	15.2
49.7	28.1	22.5	26.9	26.4	33.9	28.7	31.6
17.4	17.5	17.8	17.8	17.8	17.8	17.8	17.8
1.32	1.16	1.48	1.24	1.06	0.96	0.43	0.85
0.40	0.38	0.38	0.35	0.30	0.27	0.24	0.24
9.7	16.6	13.9	10.2	11.2	10.3	6.3	9.6
152.8	138.2	129.6	109.2	93.3	137.7	124.3	123.4
2,701	2,389	2,354	2,202	2,007	2,780	2,688	2,466

Share price		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
High	€	16.03	22.62	23.22	21.84	35.94	53.69	36.63	36.15	27.84	14.84	29.81
Low	€	12.17	10.90	17.97	10.26	10.00	31.54	21.78	21.65	15.25	8.60	8.39
Closing price	€	16.00	13.06	22.00	19.39	11.00	36.40	36.50	23.25	27.84	14.79	9.65
P/E (closing price)	€	18.4	16.3	16.7	14.7	9.5	24.6	29.4	21.9	29.0	34.4	11.4
Market cap in million	€	285	233	392	346	196	649	651	415	496	264	172

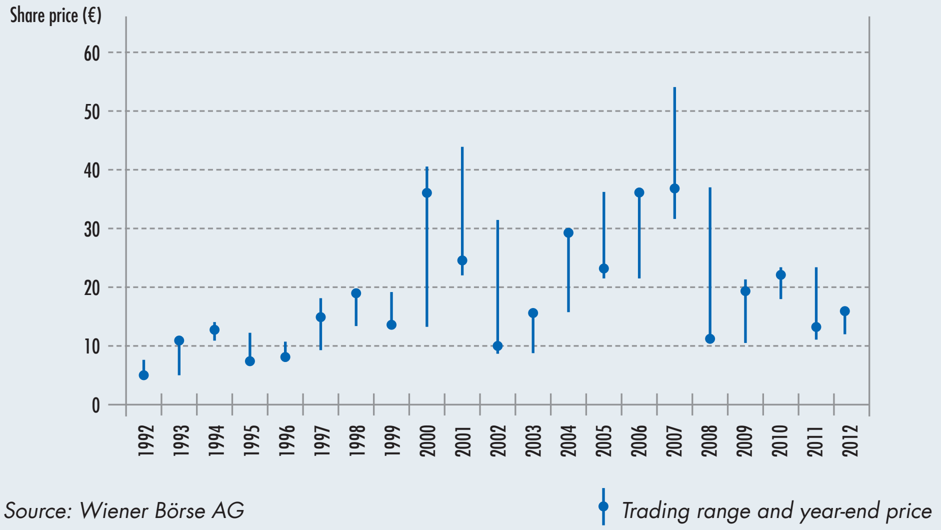
IPO price 1992: € 7.45

Shareholder structure*



*as at February 2013

Share price chart 1992–2012



Source: Wiener Börse AG

Group results 2012

Foreword by the Chairman of the Executive Board

Dear Shareholders,
esteemed Business Partners,

BWT is not only a unique company positioned in what I consider to be the most beautiful market in the world – water. BWT is also a mission to leverage the opportunities derived from innovative technologies for best water and to transform today's market leader in Europe into tomorrow's leading international water technology group. "For You and Planet Blue" conveys our philosophy to produce economical and ecological products that benefit our customers, partners, all stakeholders and the environment – our blue planet Earth.

BWT water makes the distinction that not all water is the same. More and more people are acknowledging this fact. BWT has a clear mission to enhance people's experience of water in every sense, be it fresh-tasting BWT mineralised water from the pipe, wonderfully aromatic tea and coffee, soft skin and silky-smooth hair or even soft laundry, sparkling clean glasses and dishes, and protected valuable household appliances and investments. Everyone – from the enthusiastic water, tea or coffee drinker to the master barista, the homeowner, the hotelier, the hotel guest and even the hospital hygienist – can tell the difference. The difference is BWT.

In 2012, we invested our efforts, pursued our infrastructure programme with investment of €37 million, sought out direct contact with our customers to expand the BWT brand among end consumers and continued our media campaigns – all to this end. We hired new employees who we are training to become water technology experts and increased our marketing expenditure to establish the profile of BWT as *the* brand for best water. For the first time in the company's history, our revenues exceeded the €500 million threshold.

While these measures did not allow a significant earnings upturn over the course of 2012 either, the balance sheet remains healthy as at the end of 2012 and represents a solid economic basis for the implementation of our strategy. The financial stability and independence of the BWT Group are top priorities for us.

In 2012, the majority of our markets were in a fragile state economically speaking and the debt situation is far from rectified – and not just in Europe. The economic performance of the euro zone declined by 0.4% in terms of GDP in 2012, according to provisional figures, following growth of +1.5% in the previous year. Germany and Austria held up well with +1.0% and +0.5% respectively, but the economy stagnated in other regions with Italy and Spain slipping into recession. The USA achieved growth in GDP of 2%, while China exceeded 7%.

With organic growth in revenues of 4.9%, the BWT Group generated total revenues of €502.3 million. Recording an increase of 20%, the Point of Use business was an important driver of growth and is already contributing over 8% to our revenues. On a regional level, Asia with 14% and Scandinavia with 12% are the top-performing regions. The Italy / Spain segment again showed a slight decrease in revenues and held its own in challenging general economic conditions, and Eastern Europe also posted lower revenues.

Despite investment in the Point of Use business, additional write-downs from infrastructure expansion and increased marketing expenditure, EBIT moved up 4.3% to €22.2 million. A slightly improved financial result and a virtually unchanged tax burden of 30.4% resulted in annual earnings increasing +4.7% to €14.4 million. Earnings per share were €0.87 compared with €0.80 in the previous year. Operating cash flow rose from €26.4 million to €30.1 million.

In 2012, we continued the share buy-back programme initiated in 2008 to a limited extent and repurchased an additional 33,559 BWT shares. As at the end of 2012, holdings of our own shares totalled 1,072,898, or 6.0% of shares issued. The market value of these own shares held was €17.2 million.

In spite of major investment amounting to €37 million, a dividend payment of €4.7 million and the €0.4 million share buy-back, the balance sheet position was little changed at the end of the year. The equity ratio decreased slightly from 49.1% to 47.7% and net debt rose from €17.1 million to €23.1 million, giving a figure for gearing (the ratio of net debt to equity) of 13.7% after 10.5% in the previous year.

The most important investment projects during the financial year included the further expansion of production, logistics and R&D capacities at the main site in Mondsee, Austria, the premature purchase of a property in

Budapest under a long-term lease and the first stage of a project aimed at establishing a professional membrane manufacturing unit, including new premises for the Pharma business in Germany.

Our direct expenditure on research and development came to €8.8 million in 2012. Innovative technological developments included the new OsmoVision for the production of PW (purified water) and HPW (highly purified water) for the pharmaceuticals, cosmetics and biotechnology industries. The new process technology it uses, for which a patent application was filed, is extremely efficient in terms of its water, energy and chemical consumption. The total water yield achieved with OsmoVision is over 85%, compared with only around 70% for conventional processes. Further, chemicals are no longer required for disinfection. In the Point of Entry business, a brand new generation of filters – the E1 single-lever filter – was launched on the market in 2012. This filter sets a new benchmark in terms of hygiene, safety and ease of filter changing.

In the Point of Use segment, our existing range of filters has been extended to include new filter cartridges. One highlight is the new Bestmax Soft, which is particularly suited to soft water areas. New reverse osmosis processes have been developed for rinsing technology in the "Ware Washing" market that have a high permeate performance and a compact design. In Hungary, we launched the new anti-arsenic table water filter. Around 10% of the country's population drink water containing high quantities of arsenic. BWT donated 500 anti-arsenic table water filters and launched a successful cooperation with the retail store chain Coop, where the BWT anti-arsenic table water filter is now listed in Hungary.

BWT again received prestigious awards for a number of its important products. The BWT Quick and Clean – the filter for a sparkling clean shower – won the "Golden Award – Best of the Best" in the category Household & Cleaning and the AQA perla water softening system was awarded the internationally renowned Plus X Award – the world's biggest innovation prize for technology – in four categories. The system was rated outstanding in terms of quality and design as well as functionality and ecology, and is entitled to bear the title "Best Product of 2012".

Fears surrounding an end to the euro zone and a recession kept the capital markets on tenterhooks. Policymaking decisions and the statement made by the President of the ECB declaring that all necessary measures would be taken for rescuing the euro brought gains in the second half of the year. With additional bond purchases, the US Fed also expanded the quantitative easing. As a result, the scenarios that many had feared did not come to pass and most equity markets saw growth of between 10% and 20% in 2012. The ATX moved up 27%. The BWT share also staged a considerable recovery and ended the year 23% up on the previous year.

Within the context of a public mandatory offer in line with the Übernahmegesetz (ÜbG – Austrian Takeover Act) that lasted from 19 October to 6 November 2012, the WAB group increased its stake in BWT Aktiengesellschaft to around 73.7% after the extension period ended in February 2013. The aim was to ensure both a stable ownership structure and the company's sustainable development.

The BWT Group is now the market leader for water technology in Europe. Our focus on the element water gives us an unrivalled technological expertise that ranges from water for the pharma & biotechnology industry to businesses, hotels and hospitals and much more, all the way to water treatment for households. This positioning and our comprehensive portfolio of technologies provide us with unique opportunities that we wish to exploit. For this reason, we are planning to invest over €50 million in the expansion of our brand and locations in Europe and Austria in 2013. The expansion of the BWT brand among our end consumers offers opportunities for sustainable growth for our young business segments as well as for our Point of Use business, marketed in conjunction with our partners, which is already galvanising tens of thousands of people throughout the whole of Europe.

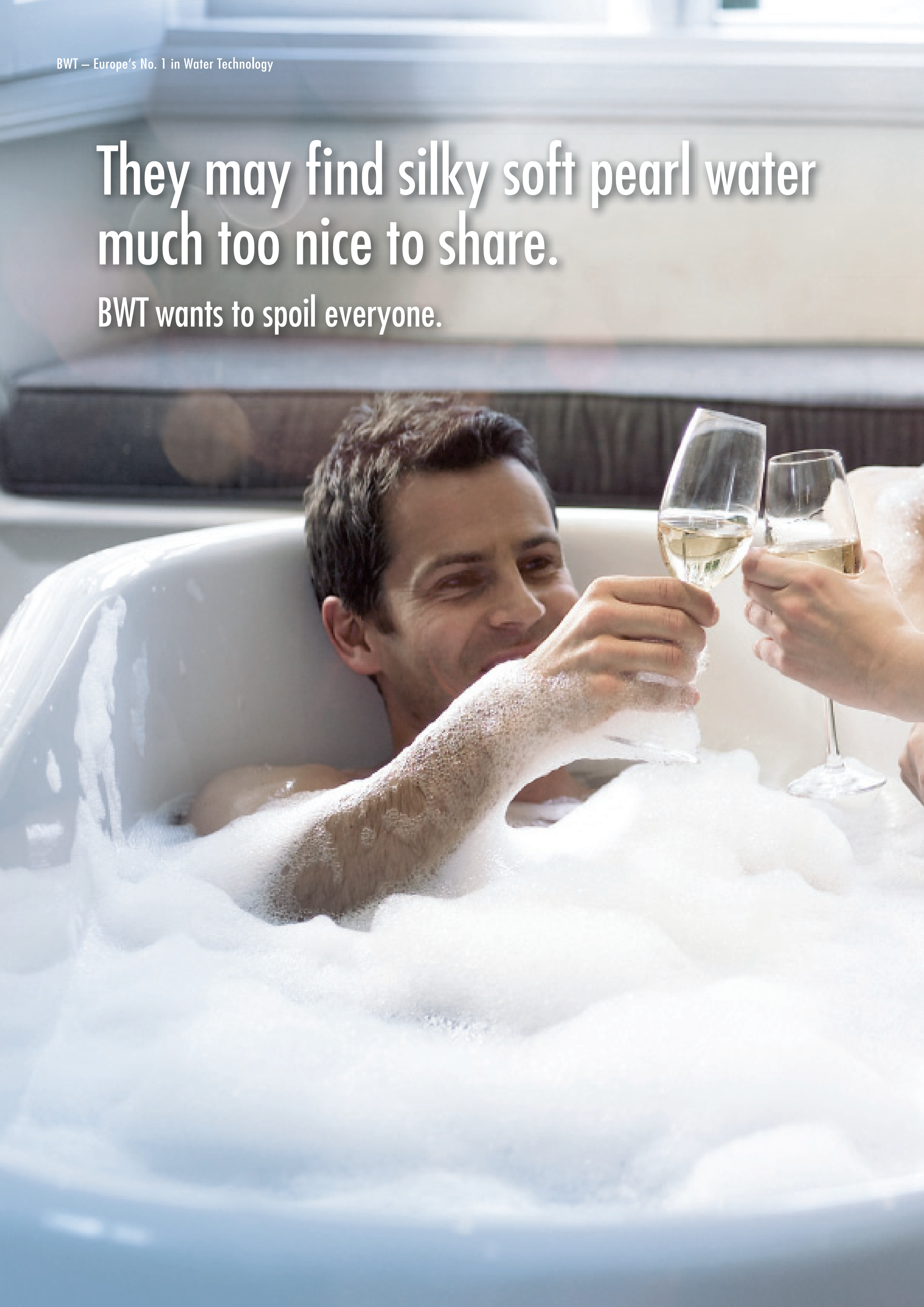
I would like to take this opportunity to thank our Supervisory Board for its valuable and constructive cooperation over the past year. I would also like to offer all our highly motivated employees my warm thanks for their commitment.

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

Yours Andreas Weißenbacher

They may find silky soft pearl water much too nice to share.

BWT wants to spoil everyone.



BWT AQA perla – the ultimate soft water system technology

Limescale deposits build up wherever water flows, drips or stands, and hard water is not kind to skin or hair. More cleaning agents and maintenance are required, hair looks dull and lifeless and skin becomes taut. BWT's soft water facilities provide silky soft pearl water, a real hidden beauty secret! Skin feels noticeably softer, hair is supple and shiny, and there is a general boost to the overall feeling of wellbeing. This wall-to-wall experience continues after the shower: your cupboard will be full of soft, cosy laundry, thanks to the pearly soft water in your washing machine.

The BWT AQA perla was awarded the "Product of the Year 2012" seal. It will transform your bathroom into a real oasis of wellness.

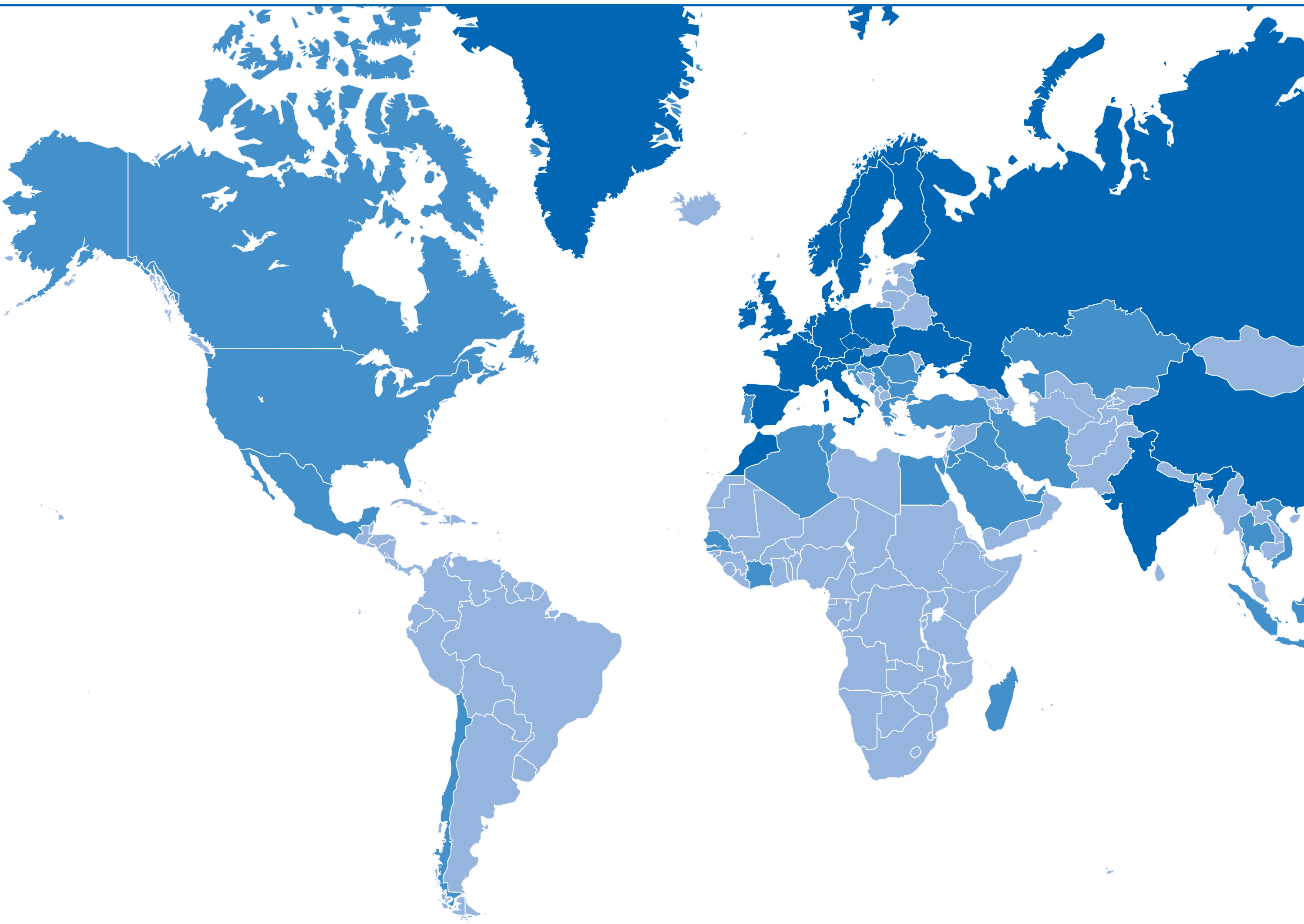
www.bwt-group.com

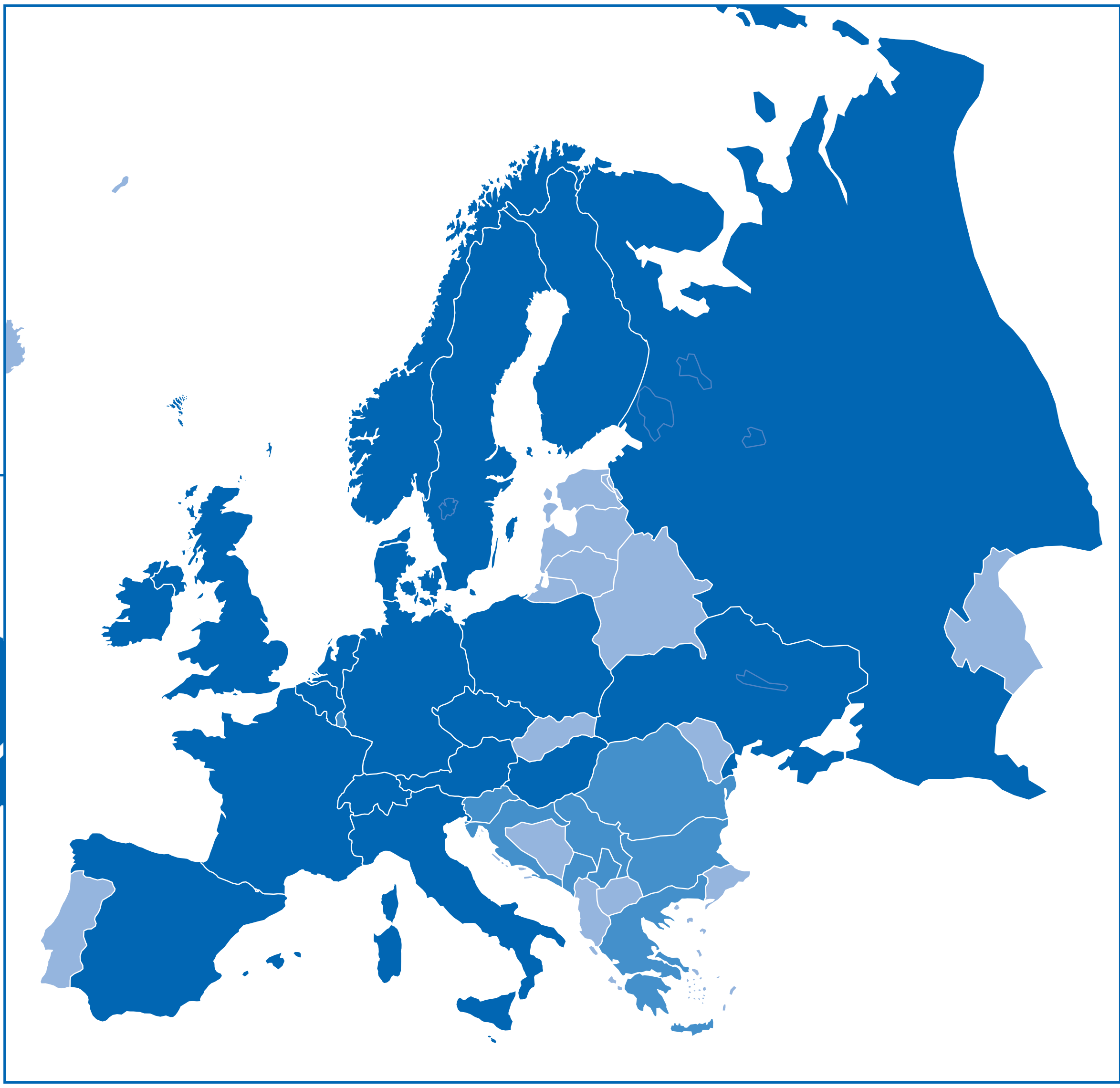
For You and Planet Blue.

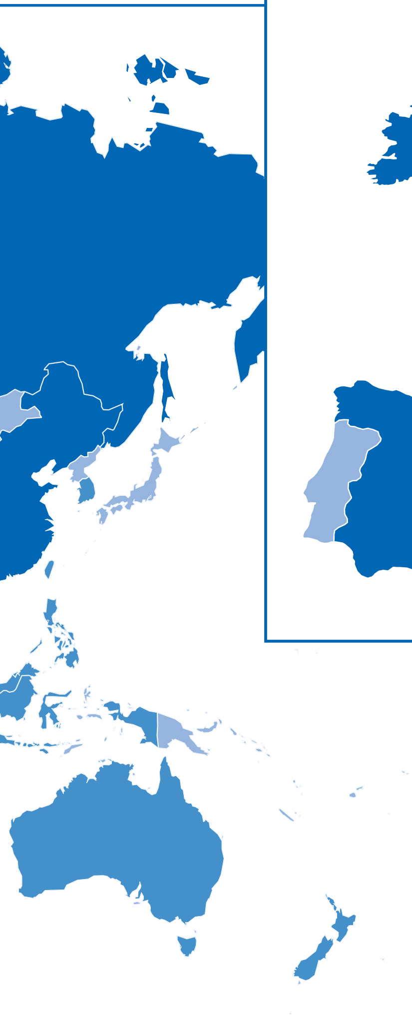
BWT
BEST WATER TECHNOLOGY

BWT – Europe's leading water technology group

- **70 subsidiaries and associated companies**
- **4 production locations**
- **2,726 employees**
- **502 million € sales**
- **Research and development departments in France, Germany, Switzerland and Austria**
- **World leading know-how in all areas of water treatment**







Supervisory Board

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

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

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

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

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

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

Management Board

Andreas Weissenbacher
Chief Executive Officer (CEO)
since 1991

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

Gerhard Speigner
Chief Financial Officer (CFO)
since 1996

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

For him, every drop counts.

For BWT, too.

BWT water treatment with responsibility – for the "blue gold" of the 21st century

Without water there is no life, no progress and no economic prosperity. There are alternative energy resources, but there is no alternative to water. Even today more than a billion people have no access to clean drinking water. With the world's population set to increase even further, demand for water will grow, and the situation is becoming ever more critical. We are committed to responsible use of our precious resource, water. We can create perfect water quality with state-of-the-art technologies, and provide solutions to the basic challenge of the 21st century – the careful handling of our elixir of life, water. After decades of experience, we have the right responses to all questions about water. Our expertise spans the entire spectrum of water treatment.

www.bwt-group.com

For You and Planet Blue.

BWT BEST WATER TECHNOLOGY

Water – the resource

The water content of a baby's body is 75%, and that of an adult is 60%. Thus, an adult weighing 70 kg contains about 42 litres of water. Water is the elixir of life and prosperity and accompanies us in all areas of life, around the clock. Water has many faces touching us in many forms, may it be drinking water, foodstuff, or beverage, as means of hygiene, for production, industrial manufacturing, agriculture, luxury food, or also means of relaxation and well-being. Hygiene, safety and health with the elixir of life, water, is at the centre of BWT.

"Water, thou hast no taste, no colour, no odour; canst not be defined, art relished while ever mysterious. Not necessary to life, but rather life itself, thou fillest us with a gratification that exceeds the delight of the senses."
French poet and aviation pioneer Antoine de Saint-Exupéry (1900-1944) on the value of water.

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

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

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

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

If the water volume of the Earth were a globe, it would have a diameter of just 1,383 km, or around 11% of the diameter of Earth itself. However, the overwhelming share (97.6%) is made up of salt water. Fresh water resources from groundwater and surface water account for only 0.9%, which equates to a globe with a diameter of only 288 km, or a mere 2.3% of the diameter of Planet Earth. The supply of fresh water is subject to constantly changing environmental conditions and is threatened by pollution.

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:

One of them is nitrogen compounds, most commonly nitrates that mainly come from agriculture. Only a part of the nitrogen found in fertilisers can be absorbed by plants. The rest stays in the soil and slowly works its way deep underground and into the groundwater. Substantial damage is also caused by crop protection products. These agents come from agriculture, but also from private and public areas such as gardens, parks, sports fields and railways.

Groundwater acidification is another problem. Contaminants – primarily sulphur and nitrogen compounds – find their way into the soil and then into the groundwater via the air. These predominantly originate from combustion processes (power plants, vehicles) and can be transferred over large distances. Much has been done in the last few decades to reduce the levels of these pollutants such as the building of desulphurisation plants. Acidification causes the pH-value of the groundwater to fall significantly below 7, thereby solving considerably more heavy metals into the water, for example.

Other pollutants originate from old industrial areas, landfills and waste deposits. Depending on how these areas were formerly used, one often finds instances of contamination through solvents, fuels, heavy metals and many more. Leaking sewer systems also contribute to the various contaminants that can be found in groundwater. These include sulphate and chloride. The chloride also can be traced back to the use of salt on roads. In coastal regions, there are often warnings about the influx of seawater or saline deep water as a result of the excessive use of groundwater reservoirs. More recent problems include penetration of the groundwater by hormonally active substances and active pharmaceutical agents.

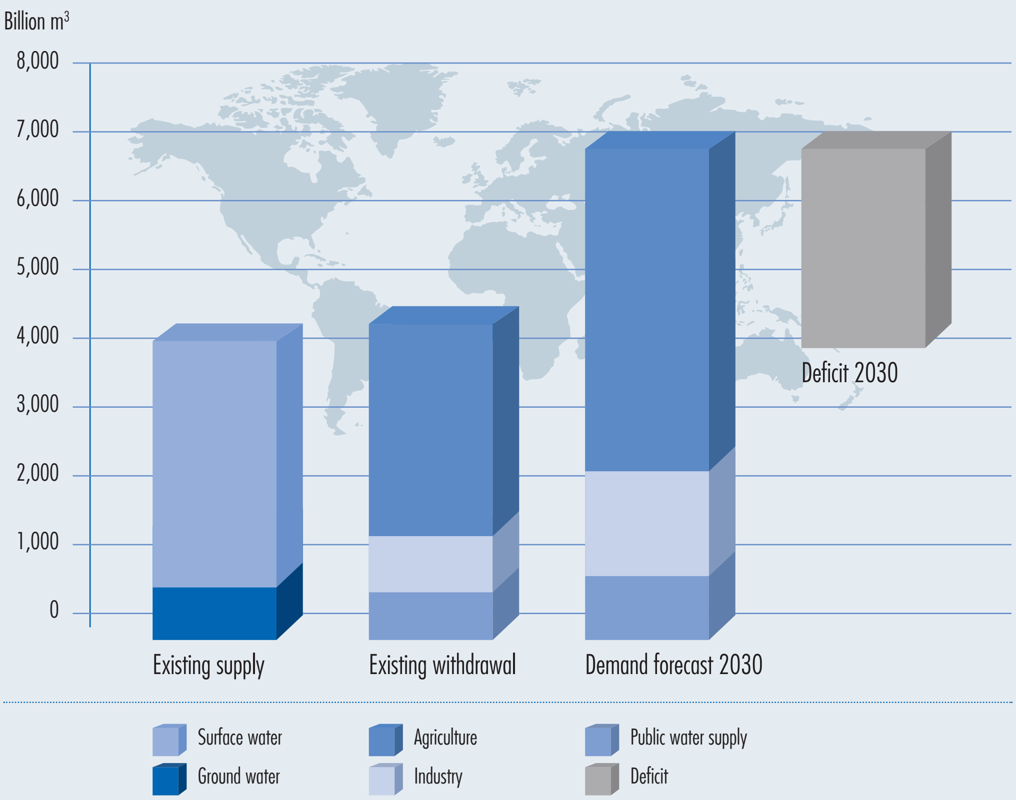
Water is part of a natural cycle and is perpetually in motion. Therefore, the use of water is not a problem for the environment per se. Rather the problem is the condition of the water, and mainly how clean it is, when it is released back into the natural water cycle. Since global water resources are in limited supply, used water must be continuously treated to ensure that adequate supplies of clean water are available. However, the natural ecosystem is coming under increasing strain.

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

In Europe, households, food production and industry consume some 288 km³ of fresh water a year, which equates to around 500 m³ per head. On average, 55% of this is used for energy production and industry, 24% for agriculture and food production, and 21% for public water supply. At 55%, groundwater is the predominant source for public water supply on account of its generally high water quality compared with surface water. In Germany, the proportion of groundwater and spring water is around 70% and the proportion of surface water approximately 30% (2010), but there are significant regional variations on this average.

The focus of our BWT mission – For You and Planet Blue – is man, with his demand for clean drinking water, health and well-being. BWT offers state-of-the art water treatment systems and services for drinking water, tea, coffee and other hot beverages; water for vaccines, medicines and cosmetics and for hospital use; water for swimming pools, spas, hotels, and many other facilities. 2,800 employees work to ensure the highest degree of safety, hygiene and health in people's daily contact with water, the elixir of life, using innovative, economical and ecological water technologies. Another key aspect is compliance with all legal requirements as water is the most strictly controlled food substance in many countries.

Freshwater – Growth of demand



Water quality – the legal basis

The significance that water holds in people's lives makes it the subject of extensive regulations. The quality of drinking water is essentially defined by standards set by the World Health Organisation (WHO, Guidelines for Drinking Water Quality), on which the EU's Drinking Water Directive (EU-Directive 83/98) and national regulations on drinking water are based. The World Health Organisation (WHO) has defined 200 substance recommendations and testing parameters.

At European level, EU regulations on drinking water have been in place since 1975 and the first binding quality objectives for drinking water were laid down in 1980. In a second phase, more rigorous regulations for communal and industrial wastewater were stipulated and stricter drinking water limits prescribed in 1991, 1996 and 1998. The Water Framework Directive entered into force in 2000. It sets environmental objectives for all surface water and groundwater sources in Europe. The directive aims to protect these water sources, prevent their degradation, and protect and improve the condition of terrestrial ecosystems and wetlands that depend directly on the water balance of these sources. 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 Ordinance (the "Ordinance on the Quality of Water Intended for Human Consumption") distinguishes between three parameter groups: microbiological parameters, chemical parameters and indicator parameters. They make up a total of 49 parameters that have to be tested. The regulations stipulate 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. The permitted number of colony forming units may not exceed 100/ml and the pH-value must be between 6.5 and 9.5. The water is not allowed to be corrosive either (conductivity limited to 2,500µS/cm). Furthermore, there are national standards and certifications for processes and materials pertaining to drinking water, such as the DVGW (the German Technical and Scientific Association for Gas and Water).

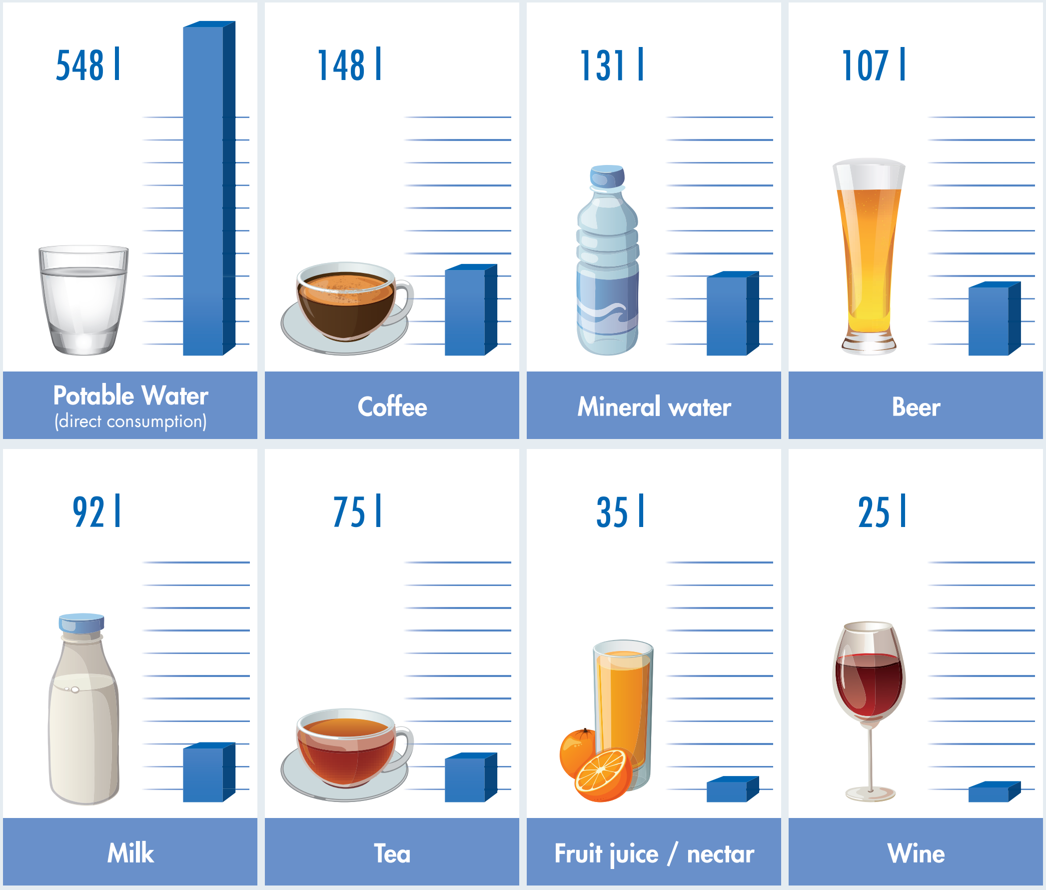
The further development of these safety standards is also reflected in the new German Drinking Water Ordinance, which came into force in November 2011. In addition to new threshold values for cadmium, uranium and lead (as of 2013), it introduces a testing obligation for legionella aimed at warm water tanks with a storage volume of over 400 litres.

Water in the household, businesses and industry

The value that can be read off the water metre in your home is merely a fraction of the water quantities actually consumed by society. Almost every product requires water indirectly during the manufacturing, transportation, packaging and disposal processes. We live today in the belief that we consume 130 litres per day, but the actual figure could be thirty times this amount – up to 4,500 (Europe) and 5,600 (USA) litres per day and per head. Such calculations are the work of British Professor John Anthony Allan, who coined the term "virtual water" back in the 1990s.

Drinking water is of paramount importance in the household and fulfils a variety of purposes from being a fresh thirst-quencher and part of a beauty care regime to washing, rinsing and heating, and much more besides. Around 197,000 litres of water are associated with an increase in the number of four-person households all with an annual water consumption of 135 litres per head. Of this amount, around 6,000 litres are used for drinking water, coffee, tea and cooking. Another 12,000 litres are used in the kitchen to wash the dishes. Approximately 67,000 litres of water are used for showering and bathing.

Beverage consumption in litres per head per year (Germany)

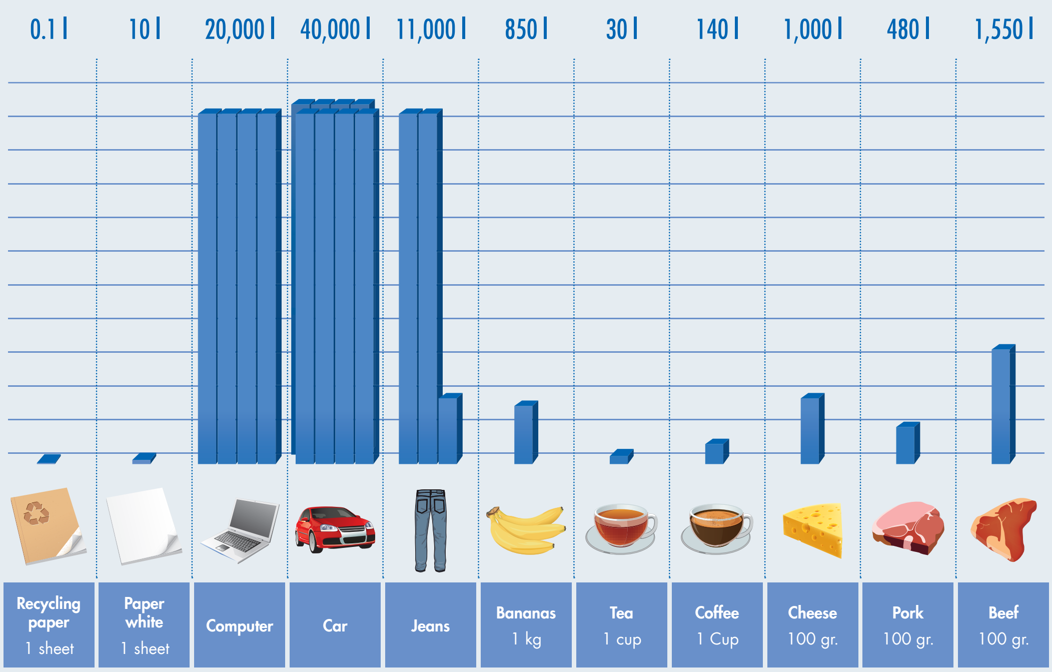


Even if the water supplied by the water authority or from the domestic well satisfies the requirements of the drinking water directive and local standards, problems frequently occur as a result of corrosion and the formation of limescale, e.g. in kettles, coffee machines and in bathtubs. The quality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

On account of its natural composition, water directly from the pipe can only be used untreated in a few isolated circumstances such as for business processes in commercial and industrial applications, for high-quality products and for communal institutions and hospitals. Key considerations here are the safety, hygiene and health in the water mains and connected installations, the protection of valuable investments, and, especially for the gastronomy industry, an excellent taste.

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

Virtual water: average water consumption for production in litres



Water treatment – drivers of growth

For BWT, water is an entrepreneurial task. The importance of water treatment is growing due to a wide range of factors. The demand potential and with it the long-term growth of the BWT Group is dependent on the following global trends:

The global population is continuing to grow

The population of the world today is around 7 billion people, and the UNO forecasts that it will grow to over 9 billion by 2050. At the same time, the middle class proportion of the population, with their expanding income, will increase dramatically. Despite global progress, around one billion people still do not have an adequate supply of clean water to live decently, and some 2.5 billion people have no access to sanitary facilities. Many mega cities have no sewage treatment plants whatsoever.

Requirements for water quality are increasing

In many countries, the population not only suffers from having too little water available, but also from its inadequate quality. Nitrate, arsenic, heavy metals and bacteria can contaminate surface water and groundwater, and as a result many people buy bottled water instead. The global market for bottled water is currently worth around USD 60 billion and is expected to grow at an annual rate of 8% between 2010 and 2016.

Water and energy efficiency

Water is the medium par excellence in energy transfer, for example in heating systems. The significance of good water quality for energy efficiency and for the protection of valuable investments in households and businesses is being increasingly acknowledged, resulting in strongly growing demand for heating water treatment.

Water quality as a competitive factor

Water is increasingly used as a factor for differentiation and competition, for example in the hotel and wellness industry. From drinking water, bathing water and laundry to the taste of coffee and tea in bars and restaurants, the right water plays a decisive role in ensuring success with customers.

Eating habits are changing

Eating habits are changing as income rises. The production of food and food products requires a certain amount of water usage ("virtual water"). For a cup of coffee, this is around 140 litres of water for example, and for a kilogram of beef around 15,000 litres. In a highly-developed country such as Germany, 148 litres of coffee, 107 litres of beer and 83 kilograms of meat are consumed per head every year. Global consumption of coffee rose by 25% between 2000 and 2009. Meat consumption is growing extremely quickly throughout the world.

More and more people are living in cities

The number of cities with a population of over a million has risen from 86 in 1950 to 430 recently, and this number will continue to grow. While only 29% of people were city-dwellers in 1950, over 50% are now living in cities. The current forecast shows 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.

Water stress – Resources are overstretched

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

Ageing infrastructure

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

New contaminants in water

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

Stricter limits on water contaminants

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

Climate change

Over the coming decades, the global water balance will change tangibly in many regions. According to the Intergovernmental Panel on Climate Change, drought areas will continue to expand, heavy precipitation events will rise, and glaciers and snow regions will progressively disappear. Mountainous areas will largely lose their storage function as a result of climate change. A further threat to freshwater resources is the global decline of forest areas. Forests play an essential role in the regulation of freshwater streams and in maintaining water quality.

BWT Annual Report 2012

Water – the market

According to Global Water Intelligence and studies by Deutsche Bank (2010) and Goldman Sachs (2008), the global water business is worth between USD 375 and 500 billion and has a long-term growth trend of between 4% and 6%.

An underlying characteristic of this market is the large number of subsectors that break down into different submarkets, technologies and services. Public water supply and wastewater treatment make up a large percentage of the market – around 50%. Pumps and valves account for approximately 17% of the market volume. The global market volume of water treatment technologies, including the residential and business/commercial areas that are relevant to BWT but also non-relevant industrial end markets, is worth approximately USD 40 billion. A surge in demand for efficient irrigation technologies, desalination plants for seawater and treatment plants, technical equipment, filtration plants and disinfection processes is likely. According to the World Business Council for Sustainable Development, small and compact water treatment products are becoming the norm.

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

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

Highlights 2012

- Brand launch and implementation of the BWT Consumer Strategy
- Investment programme with focus on Point of Use
- Innovations in water technology
- Revenues € 502.3 million, EBIT € 22.2 million, net result € 14.4 million
- Healthy balance sheet: equity ratio 47.7%, gearing 13.7%
- Treasury shares: 1.073 million (6.0%)
- Dividend: 0.28* € per share

* Proposal to the Annual General Meeting

BWT Value Strategy

VISION
BWT – The Leading International Water Technology Group

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

FINANCING OF GROWTH
Long-term from organic cash flow

Management Report 2012

ECONOMIC ENVIRONMENT

The economic slowdown that began in 2011 intensified in Europe in 2012, although the bleak economic forecasts made at the beginning of the year were not entirely fulfilled and a collapse of the euro zone was averted.

The economic performance of the euro zone declined by 0.4% in terms of GDP in 2012, according to provisional figures, following growth of 1.5% in the previous year. Germany recorded moderate growth of around 1.0% (2011: +3.1%), while growth in Austrian GDP slowed to around 0.5% in 2012 (compared with +2.7% in the previous year) and many countries on the periphery of Europe suffered a recession. Although France (+0.1%, 2011: +1.7%) and the UK (-0.1%, 2011: +0.9%) kept their economic performance more or less stable, Italy (-2.1%, 2011: +0.6%) and Spain (-1.4%, 2011: +0.4%) slid into a recession. Switzerland and Scandinavia achieved slight growth, similar to that seen in Germany. Domestic demand and industry did not really recover in some Eastern European economies (Hungary, Czech Republic, Croatia), while others achieved only moderate growth (Poland, Turkey). The "EU CEE-10" countries are expected to have recorded growth of 1.2% in 2012, compared with 3.2% in the previous year. Russia came top in the region with an impressive +3.6%, while Poland was slightly above average at +2.1% and Hungary once again came last at -1.3%.

The USA looks set to have achieved growth of more than 2% in GDP in 2012 (2011: +2.6%), while China's economic performance increased by more than 7% in 2012 according to provisional figures, following growth of 9.3% in the previous year.

GDP Growth in %	2010	2011	2012*	2013*
Austria	2.1	2.7	0.5	0.9
Germany	3.6	3.1	1.0	1.1
France	1.4	1.7	0.1	0.5
Italy	1.2	0.6	–2.1	–0.7
Great Britain	1.8	0.9	–0.1	0.9
Spain	–0.1	0.4	–1.4	–1.4
Switzerland	2.7	1.9	1.0	1.2
Poland	3.9	4.3	2.1	1.7
Eurozone	2.0	1.4	–0.4	0.1
USA	2.4	2.6	2.2	2.3
Japan	4.0	–0.7	1.6	0.7
China	10.5	9.3	7.5	8.1

Inflation in %	2010	2011	2012*	2013*
Austria	1.7	3.6	2.5	2.2
Germany	1.2	2.5	2.1	1.9
France	1.7	2.3	2.3	1.7
Italy	1.6	2.9	3.3	2.0
Great Britain	3.3	4.5	2.9	2.7
Spain	2.0	3.1	2.5	2.1
Switzerland	0.7	0.2	–0.6	0.3
Poland	2.6	4.3	3.7	2.2
Eurozone	1.6	2.7	2.5	2.0
USA	1.6	3.1	2.2	2.3
Japan	–0.7	–0.3	0.0	–0.5
China	3.3	5.4	2.7	3.1

**) Estimated or preliminary figures; source: UniCredit, Bank Austria 1/2013.*

Unemployment rose further to 11.5% in the euro zone in 2012 (2011: 10.6%), with the situation becoming tense in some countries. Greece and Spain have unemployment rates of over 25%, while even France and Italy were close to the EU average of almost 11% towards the end of 2012. Growth in consumer prices slowed from 3.1% to 2.7% in the EU-27 in 2012, however, while inflation in the euro zone in 2012 totalled 2.5% according to provisional figures, compared with 2.7% in the previous year.

The capital markets were influenced by the on-going sovereign debt crisis in Europe. Central banks kept base rates at historically low levels and continued their expansive monetary policy. The ECB cut its base rate from 1.0% to 0.75% halfway through the year, while the FED kept its rate at 0.25%. Government bonds from crisis-hit countries were also purchased, to limit yield premiums and stabilise the credit markets.

The European sovereign debt crisis may have peaked in 2012. At national level, many countries have made an enormous effort to reduce budget deficits. Considerable progress was made in Greece, Ireland, Spain and Italy. Although the global economy picked up towards the end of 2012, some uncertainties remain. Unlike the euro zone, the USA has not yet begun to restructure its public sector budgets. Moreover, the strong development of countries such as China, India and Brazil now appears to be more volatile than was previously assumed.

The intensification of the debt crisis in Europe drove down the exchange rate of the euro to the US dollar almost as low as USD 1.20 by mid-2012, after it had fluctuated at around USD 1.32 in the spring. It then returned to the same level as at the beginning of the year. The SNB set a minimum exchange rate of CHF 1.20 per euro in September 2011, after the Swiss franc rose as high as CHF 1.05 per euro in mid-August 2011 as a result of high risk aversion. The franc adhered to this minimum exchange rate in 2012, with prices between CHF 1.20 and around CHF 1.22. Eastern European currencies remained largely stable against the euro.

2012 was also characterised by highly volatile commodities markets. Although prices were in some cases lower than in the previous year, they fluctuated wildly in both directions in daily trading. The price of Brent oil rose to over USD 127 per barrel in March, coming close to the peak reached in summer 2008 (USD 145). Bleaker worldwide economic prospects then led to prices of under USD 90. The annual average price for Brent oil in 2012 was USD 112 per barrel, around the same as in 2011. Industrial metals came down in price in 2012 compared with the previous year's extremely high prices, but with significant fluctuations during the year. The price of copper ranged from around EUR 7,400 to EUR 8,600 per tonne.

INDUSTRY ENVIRONMENT

In the euro zone, the economic situation was dampened by negative developments in household consumption as well as in investment and inventories, whereas exports continued to develop positively. Private spending showed a downward trend until the third quarter of 2012 and was most recently around 1.4% down on 2011. Investment in the third quarter of 2012 was 4.2% lower than the previous year. A 2% year-on-year downturn is expected for Germany, with investments in the construction industry stagnating mainly due to the extremely poor development in public construction work. While growth rates for commercial construction remained low in 2012 on account of the weak general economic momentum, housing construction bolstered the overall trend. It is anticipated that construction volumes in Europe – as shown by the data of the fifteen western and four eastern European countries of the Euroconstruct Group – will fall by around 2% in 2012. It is likely that they will reach a level of only €1,320 billion after almost €1,600 billion in 2007 (on the basis of 2011 prices). This means that in just five years, construction activities will have declined by around a sixth.

However, according to estimates made by the ifo Institute in November 2012, in 2012 revenues of the German sanitary industry increased by over 2.4% in nominal terms to €21.3 billion (2011: €20.8 billion). Whereas domestic business moved up by around 1.7% to €17.8 billion (previously €17.5 billion), foreign sales revenues climbed approximately 5.9% to €3.5 billion (previously €3.3 billion). The high percentage increase in foreign business is primarily attributable to the slow recovery in the foreign markets, which posted a significant decline back in 2009. The domestic business weathered the crisis relatively unscathed, having achieved steady revenues growth over a number of years, even posting growth of 5.3% in 2011.

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 annual growth of between 3% and 5%. 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 smaller 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 2012

The BWT Group achieved the goals it set itself for the 2012 financial year, and for the first time in the company's history exceeded the €500 million revenues threshold. At €502.3 million, revenues were €23.4 million (or 4.9%) up on the previous year. As expected, the substantial expenditure associated with the development of the "BWT – For You and Planet Blue" brand and the measures to establish and expand the Point of Use (PoU) product segment, which we are pursuing with unwavering vigour, did not allow any significant earnings upturn, despite the record revenues.

EBITDA rose by 4.3% to €40.8 million and EBIT by 2.3% to €22.2 million. The Group's consolidated net earnings before minority interests totalled €14.4 million and were therefore 4.7% up on the previous year's figure of €13.8 million. Cash flow from operating activities amounted to €30.1 million (previously €26.4 million) and the debt ratio (net financial liabilities to equity ratio) only deteriorated slightly from 10.5% to 13.7% due to the group's significant internal financing strength, despite record capital expenditure of €37.0 million. The equity ratio remained unchanged at a solid 47.7% (previously 49.1%).

This result would not have been possible without the outstanding dedication shown by so many BWT employees. The Management Board would like to express its gratitude to all employees for the contribution they have made to the further development of our corporate group.

Revenues development

In the 2012 financial year, the BWT Group's consolidated revenues reached €502.3 million, exceeding the previous year's revenues of €478.9 million by €23.4 million, or 4.9%.

The individual business segments developed as follows:

Segment revenues (in million €)	2012	2011	+ / – %
Austria / Germany	211.7	195.9	+8.0%
France / Benelux / UK	118.7	116.2	+2.1%
Scandinavia	57.6	51.6	+11.5%
Italy / Spain	30.8	32.0	–3.7%
Switzerland / Others	83.5	83.2	+0.5%
BWT Group	502.3	478.9	+4.9%

The Austria / Germany segment generated €211.7 million in revenues in 2012, which equates to revenues surging by +8.0%. Worthy of a special mention is the more than 34% growth in Point of Use products. However, the traditional Point of Entry Domestic Technology business and the sales of standardised solutions in the commercial and industrial areas also contributed to this positive result. The Service and Spare Parts business increased by +5.7%, at approximately the same level as the Group as a whole.

Revenues development of +2.1% in the France / Benelux / UK segment was somewhat below expectations. The low propensity to invest among private and commercial customers and the tight public-sector budget meant that this region did not experience high rates of growth. As a result, PoE revenues stagnated at the previous year's level and the PoU business only increased by 5.9%, despite the continued vigorous expansion of BWT Water + More coffee machine filters, owing to slighting declining revenues from water dispensers in the UK. Nevertheless, the Service and Spare Parts business posted encouraging growth of 7.3%.

After a strong revenues performance of +14.3% last year, the Scandinavia segment grew a further +11.5% in 2012. This was driven primarily by a "Blue Ocean" project in the Seychelles executed by BWT HOH Denmark, the majority of which was realized in the previous financial year. This translated into growth of 18.9% for the PoE business in this segment. PoU revenues also saw strong growth of +51.8%, whereas growth in the Service and Spare Parts business dipped slightly at -0.8%.

The Italy / Spain segment was the most severely affected by the difficult market conditions, posting an overall drop in revenues of 3.7% to €30.8 million in 2012. This drop can be attributed solely to the PoE business, with the PoU business achieving slight growth of 4.2% and the Service and Spare Parts business even generating an increase of 7.4%.

In the Switzerland / Others segment, revenues in Russia and China were down on the previous year due to project settlement dates. However, the considerably better order situation gives grounds to expect that revenues will pick up again in 2013. In Poland too, we posted lower revenues due to declining plant construction projects. The overall impact of these negative influences was more than offset by growth of 9.3% at the Swiss subsidiary and considerable growth in revenues at BWT Ceska Republika owing to a successful Blue Ocean project. Ultimately, this meant that the segment achieved marginal growth of 0.5%. PoU revenues rose by 18.9% and the Service business by 12.8%.

In the 2012 financial year, the BWT Group generated revenues of €25.2 million with customers in eastern European countries, compared with €30.0 million in the previous year. Europe accounts for 92.5% of BWT's consolidated revenues (previously 94.7%). In 2012, the BWT Group generated 3.5%, or €17.5 million, of its consolidated revenues in Asia (previously €15.4 million), representing growth of more than 13%. The rest of the world contributed 4% to the Group's consolidated revenues compared with 2.1% in the previous year. The BWT Group is continuing to expand its business outside Europe.

Overall, revenues generated by Point of Entry products increased 3.0% from €345.6 million in the previous year to €356.1 million. This product segment thus accounted for 70.9% (previously 72.1%) of the Group's consolidated revenues. The strategically important BWT Point of Use business continued to experience strong growth. At €41.8 million, the previous year's revenues were exceeded by 20%, increasing the percentage of total revenues to 8.3% (previously 7.3%). The BWT Group generated €104.4 million in revenues in the Service and Spare Parts business in 2012, exceeding the previous year's figure of €98.5 million by 6.0%. This business accounts for 20.8% (previously 20.6%) of the Group's consolidated revenues.

As at 31 December 2012, the BWT Group had an order backlog of €78.3 million compared with €88.1 million for the same period of the previous year. The decrease in this figure can be explained by the execution of the "Blue Ocean" project by BWT Denmark and the weaker order situation for the companies operating in the pool water treatment business.

Earnings development

Consolidated net earnings only inched up slightly against the previous year, despite higher revenues. This was due to the further rise in expenditure related to the extension of the "BWT" brand and the extensive measures intended to develop and expand the Point of Use product segment. EBITDA rose by 4.3% to €40.8 million, EBIT by 2.3% from €21.7 million to €22.2 million and consolidated net earnings before minority interests by 4.7% to €14.4 million. Earnings per share also increased 7.6% from €0.80 in the previous year to €0.87, not least due to the lower number of shares outstanding.

Lower income from asset disposals meant that other operating income fell from €8.5 million to €6.3 million.

Capitalised labour, overheads and material declined by €0.3 million to €0.7 million, consisting mainly of development costs to be capitalised according to IFRS.

At 40.0%, the cost of materials including changes in inventories remained unchanged in relation to revenues, compared with 40.1% in the previous year.

Personnel expenses increased 4.2% year on year from €157.4 million to €164.0 million. This was also driven by the further rise in employee numbers over the course of 2012. The Group bolstered its workforce capacity especially in the areas of production and services in Austria, France and Switzerland.

Other operating expenses rose by 3.4% from €100.0 million in the previous year to €103.4 million. This was due to increased advertising expenditure of €3.3 million and higher sales costs, including outgoing shipping and warehousing costs. On the other hand, there was a significant year-on-year reduction in receivables write-downs of €2.1 million to €0.5 million.

EBITDA (earnings before interest, taxes, depreciation and amortisation) went up 4.3% from €39.1 million to €40.8 million.

In 2012, depreciation and amortisation rose by a further 7% from €17.4 million to €18.6 million. In addition to the higher normal depreciation due to recent capital expenditure, there were also a few extraordinary write-downs. In 2012, goodwill was impaired by €2.0 million (previously €1.8 million) and the premature acquisition of a property near Budapest, Hungary, under a long-term lease caused a write-down of €0.9 million due to the decreased market value.

EBIT increased by 2.3% from €21.7 million to €22.2 million due to the 4.3% rise in EBITDA and higher write-downs. The EBIT margin dipped slightly from 4.5% of revenues to 4.4% of revenues.

The BWT Group's financial result improved year on year from €-1.9 million to €-1.5 million. The lower returns from financial investments, down by €0.6 million, were more than offset by the lower interest expenses and the absence of a loss of €0.6 million incurred in the previous year from the sale of the Zeta Group.

Earnings before taxes increased by 4.2% from €19.9 million to €20.7 million. The Group tax rate fell only slightly from 30.7% to 30.3%, with the BWT Group's annual earnings before minority interests increasing 4.7% from €13.8 million to €14.4 million. The return on revenues was unchanged from the previous year at 2.9%. The share in earnings of minority shareholders amounted to €-0.1 million (previously €+0.2 million) so that at €14.5 million the BWT Group's consolidated net earnings after minority interests were 6.8% up on the previous year's figure of €13.6 million.

A few more treasury shares were repurchased in the 2012 financial year. The average number of outstanding shares decreased from 16,901,626 in the previous year to 16,771,902. Earnings per share were thus €0.87 in 2012, against €0.80 in 2011 (+7.6%).

In view of the only marginal change in Group earnings and the continued investment in the expansion of the Point of Use business planned for the near future, the Management Board will submit a proposal to the next Annual General Meeting to keep the dividend payment unchanged at €0.28 per share.

Segment earnings

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

Segment EBITDA (in million €)	2012	2011	+ / – %
Austria / Germany	8.7	9.0	–2.6%
France / Benelux / UK	7.3	6.6	+11.0%
Scandinavia	9.3	9.1	+1.9%
Italy / Spain	2.8	2.7	+2.0%
Switzerland / Others	12.7	11.7	+8.4%
BWT Group	40.8	39.1	+4.3%

Deducting depreciation and impairment gives the following EBIT:

Segment EBIT (in million €)	2012	2011	+ / – %
Austria / Germany	–2.6	–2.2	–21.8%
France / Benelux / UK	4.6	3.7	+23.4%
Scandinavia	8.6	8.5	+1.0%
Italy / Spain	2.7	2.6	+3.5%
Switzerland / Others	9.0	9.1	–0.9%
BWT Group	22.2	21.7	+2.3%

In 2012, as in the previous year, the Austria / Germany segment was the most severely impacted by the additional advertising expenditure, the high level of expenditure associated with the expansion of the Point of Use business and goodwill impairment, with EBIT weakening from €-2.2 million to €-2.6 million despite the higher revenues achieved. On the positive side, the earnings situation in BWT Germany continued to improve, with particular success achieved in the Point of Entry product segment due to the systematic implementation of the "pearl water strategy" with modern water softening systems and revolutionary chemical-free solutions for heating protection.

The France / Benelux / UK segment, which saw EBIT increase from €3.7 million to €4.6 million, partly benefitted from income generated from the sale of a property in France. However, earnings results fell short of expectations in both the Benelux countries and the UK.

The Scandinavia segment managed to improve upon the extraordinarily good earnings of the previous year by a further minimal 1% to close 2012 with an EBIT margin of 14.9%. This accomplishment was driven primarily by BWT HOH Denmark, which achieved a strong level of capacity utilisation due to a "Blue Ocean" project in the Seychelles. However, Norway and the Pharma business experienced a slight decline in earnings.

The result posted by the Italy / Spain segment is to be considered a success in light of the extremely difficult market environment. Despite the 3.7% fall in revenues, EBIT improved by 3.5% to €2.7 million. This result was particularly beneficial to the turnaround of the Spanish subsidiary Cilit S.A.

The lower revenues in Russia and in the Chinese Pharma business, which were due to project settlement dates, resulted in a year-on-year decline in EBIT in these countries. This was not entirely offset, even by the new record-level earnings achieved by BWT Aqua Switzerland and the turnaround in Poland. The previously mentioned extraordinary write-down of the property in Hungary also had a negative impact of €0.9 million on segment earnings. The Switzerland / Others segment thus fell slightly short of last year's EBIT figure (€9.0 million in 2012 compared with €9.1 million in 2011), but once again underlined its importance to the overall result of the BWT Group.

Development of the financial position

The net assets and financial position of the BWT Group can still be described as good at the end of the 2012 financial year, despite the intensive investments.

Cash flow from operating activities improved from €26.4 million in the previous year to €30.1 million, which can primarily be attributed to cash flow from earnings. Cash flow from earnings increased from €34.6 million in the previous year to €37.9 million.

Cash flow from investing activities was affected by the pronounced increase in investments, and fell from €-19.0 million in the previous year to €-30.3 million. The company spent €36.3 million on investments in intangible assets and property, plant and equipment in 2012 (previous year: €21.6 million). The most important investment projects during the financial year included the further expansion of production, logistics and R&D capacities at the main site in Mondsee, Austria, the premature purchase of a property in Budapest under a long-term lease and the first stage of a project aimed at establishing a professional membrane manufacturing unit, including new premises for the Pharma business in Germany.

Cash flow from financing activities climbed from €-9.9 million in 2011 to €+3.8 million in 2012. In the previous year, €6.7 million was spent on dividends and €7.7 million to buy back the company's own shares whereas in 2012, €4.7 million was paid out in dividends to shareholders and €0.4 million was used to buy back the company's own shares. In the previous year, approximately €4.7 million was taken up in additional financial liabilities whereas in 2012, this figure was € 9.7 million.

Net debt of the Group excluding social capital provisions amounted to €23.1 million as at 31 December 2012, against €17.1 million in the previous year. The higher investments, predominantly the recently concluded acquisition of the property in Hungary under lease, impacted this figure. The high investments were otherwise funded by current operating cash flow. The gearing (the net debt to equity ratio) also increased only slightly from the previous year's figure of 10.5% to 13.7%. Net current assets, despite higher revenues, decreased again from €61.4 million to €58.6 million and amounted to 11.7% of revenues (previous year: 12.8%). The measures aimed at further optimising working capital are slowly bearing fruit.

The consolidated balance sheet total of the BWT Group rose 6.5% from €331.3 million to €352.7 million. This is primarily attributable to higher fixed assets. As at 31 December 2012, Group equity amounted to €168.4 million compared with €162.6 million for the same period of the previous year. The equity ratio decreased from 49.1% to 47.7%. Under IFRS provisions, the share buy-backs of €19.4 million (previous year: €19.0 million) are shown as a deduction under equity.

At 8.3%, return on capital employed changed only slightly from the previous year's figure of 8.5%. Return on equity improved marginally from 8.4% to 8.7%.

Employees

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

From product developers and process engineers through production workers and fitters to the staff in the internal service departments, in our company, employees with technical or business qualifications are assigned a wide range of tasks in all areas of activity. BWT has a flat organisational structure that allows for direct, face-to-face communication.

As at 31 December 2012, the BWT Group employed a total workforce based on FTE (full-time equivalents) of 2,726 people (previous year: 2,689). The rise in employee numbers is mainly due to the expansion of production and customer services in Austria, Switzerland and France.

1,191 people are employed in the Austria / Germany segment (previous year: 1,174) and 770 people in the France / Benelux / UK segment (previous year: 755). Unchanged from the previous year, 213 people are still employed in the Scandinavia segment and 89 in the Italy / Spain segment. 463 people now work in the Switzerland / Others segment (previous year: 458).

As is the case every year, there were no strikes or labour disputes in 2012 either. Social benefits vary from company to company and include well-equipped workplaces, canteens, various company events, personal 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. In 2012, the BWT Group spent a total of €772 thousand (previous year: €687 thousand) on training.

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

Environment / Corporate Social Responsibility (CSR)

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

Recording of important basic data on the Group companies was stepped up further in the 2012 financial year.

Research & Development

BWT is a group of companies involved in research, with a focus on processes, products and materials. Direct expenses for R&D projects in 2012 amounted to €8.8 million (previous year: €7.4 million).

The aim of the research and development departments in Austria, Germany, France and Switzerland is to develop innovative and sustainable products containing few composite materials and thus more recyclable plastics, true to the slogan "For YOU and Planet BLUE".

In the Pharma & Life Science business, the new OsmoVision process for production of PW ("purified water") and HPW ("highly purified water") for the pharmaceuticals, cosmetics and biotechnology industries was launched on the market in 2012 following a development period of around two years. This new process technology, for which a patent application was filed in 2011, is extremely efficient in terms of its water, energy and chemical consumption. The total water yield with OsmoVision is over 85%, compared with only around 70% for conventional processes. The high water yield with OsmoVision is obtained through additional treatment of the reverse osmosis concentrate, to produce more water for the concentrate stage of the EDI process. The system is designed so that continuous in-situ disinfection takes place in the EDI process by means of anodic oxidation. This means that expensive thermal sanitation facilities that consume large amounts of energy are no longer needed, while chemicals are no longer required for disinfection.

The new "E1" generation of filters was launched on the PoE (Point of Entry) market in 2012. Bucking the trend towards backwash filter technology that has been continuing in home water filtration for years, BWT has developed a changeable filter, the "single-lever filter E1". The filter can be changed very quickly and easily and with virtually no spillages under pressure, without any backflow of water from the pipe.

In the PoU (Point of Use) segment, our existing range of filters has been extended to include new filter cartridges. One highlight is the new Bestmax Soft, which is particularly suited to soft water areas. New reverse osmosis processes have been developed for rinsing technology, the "WareWashing" market, with a high permeate performance and a compact design.

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

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

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

The uniform monthly reporting process, which is governed by the Accounting Handbook and applied group-wide, together with the PM 10 reporting software used to record and analyse data, ensure regular checks of the assets development and earnings performance of the individual members of the Group. Standard reports and ad hoc evaluations allow for quick analysis of any deviation from budgeted values and values from the previous year. The information is then grouped together by Group Controlling and brought to the attention of the Management Board. In this area, also in the business year 2012, the group-wide data warehouse "Smart" was complemented with detailed data on developments in revenues and margins for products and customers and supplemented by purchasing and inventory information. The settlement of longer-term construction contracts is subject to a Group-wide project controlling process. Information gathered on an ongoing basis by the treasury system "Bellin" (e.g. automatic reading of bank account statements) allows for a weekly bank account status update and monitoring of credit lines, bank signature authorisations and current liabilities. Furthermore, intragroup figures are monitored by a netting system and intercompany balances are regularly recorded.

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

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

In the course of the reporting process, for a so-called "Minimum-Control-Report", the key internal control processes of the individual group companies were queried of which the effectiveness and regularity were confirmed by the responsible general managers.

Risk management

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

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

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

Material risks

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

Development risk

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

Risk when acquiring and establishing new companies

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

Personnel risk

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

Liquidity risk/financing risk

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

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

Interest rate risk

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

Currency risk

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

Default/solvency risk

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

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.

Aquivest GmbH, a company indirectly controlled by WAB Privatstiftung, submitted a public mandatory offer in accordance with sections 22 et seq. of the Übernahmegesetz (ÜbG – Austrian Takeover Act) for shares in BWT Aktiengesellschaft in addition to its preceding legal entities (section 1 line 6 ÜbG). WAB Privatstiftung is a private trust within the meaning of the ÜbG that is controlled by Andreas Weißenbacher, the longstanding CEO of BWT AG. After the acceptance period of the public mandatory offer, which ran from 19 October to 6 November 2012, ended, the bidder (Aquivest GmbH/WAB Privatstiftung) held a total of 10,580,889 shares equating to around 59.33% of the total share capital of BWT AG. When the three-month obligatory extension period ended on 8 February 2013, the shareholdings of the Aquivest GmbH/WAB Privatstiftung bidder group had increased to 13,136,688. For the shareholder structure of BWT AG, this means that the Aquivest GmbH/WAB Privatstiftung bidder group holds around 73.66% of BWT AG's total share capital and around 20.32% of BWT AG's total share capital is free float. The remaining 6.02% are BWT AG treasury shares. As at 31 December 2012, BWT AG had purchased a total of 1,072,898 company shares in the course of its share buy-back programme. The free float is held by Austrian and international investors. BWT's shares are listed on the 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, which will end on 30 April 2013.

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.

The Management Board of BWT Aktiengesellschaft does not currently have any powers to increase the company's share capital by issuing new shares. Resolutions of the Annual General Meetings held on 20 May 2008, 26 May 2010 and 24 May 2012 authorised the Management Board to buy back and (with the approval of the Supervisory Board) resell the company's own shares by other means than via the stock exchange or through a public offering and also disapplying existing shareholders' subscription rights. In 2012, the Management Board exercised the buy-back authorisation and, in the course of the year, acquired a further 33,559 treasury shares (the last acquisition to date was on 16 May 2012). Together with the 1,039,339 shares it purchased in previous years, BWT AG therefore held a total of 1,072,898 treasury shares as at 31 December 2012. At the end of the year, the market value of treasury shares amounted to €17.2 million. The full cost of the acquisition amounting to €19.4 million (previous year: €19.0 million) was recorded in the consolidated balance sheet as a deduction from equity as required under IFRS provisions.

The Management Board knows of no significant agreements to which BWT is party that will become effective if control of the company changes hands as a result of a takeover bid.

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

Outlook

The BWT Group's programme of investment, which was started in 2011 and will run until 2014, was implemented according to plan during the financial year. On the one hand, the higher level of investment and advertising expenditure aim to develop the BWT brand as the leading water brand with the brand message "For You and Planet Blue" and, on the other hand, to establish the additional development, production and logistics capacities required, especially for the Point of Use product segment at the Mondsee site. The measures will continue to be implemented as planned in 2013 so that, despite the expected increases in revenues, higher earnings overall are not anticipated for the coming financial year owing to the further increased advertising expenditure, depreciation of fixed assets and financing costs.

The Group's significant internal financing strength and continuing positive balance sheet structure with low indebtedness and good capital situation as well as the technological leadership demonstrated by the water treatment business form a solid basis for the continued positive development of BWT Aktiengesellschaft and its subsidiaries in the increasingly important water-treatment market.

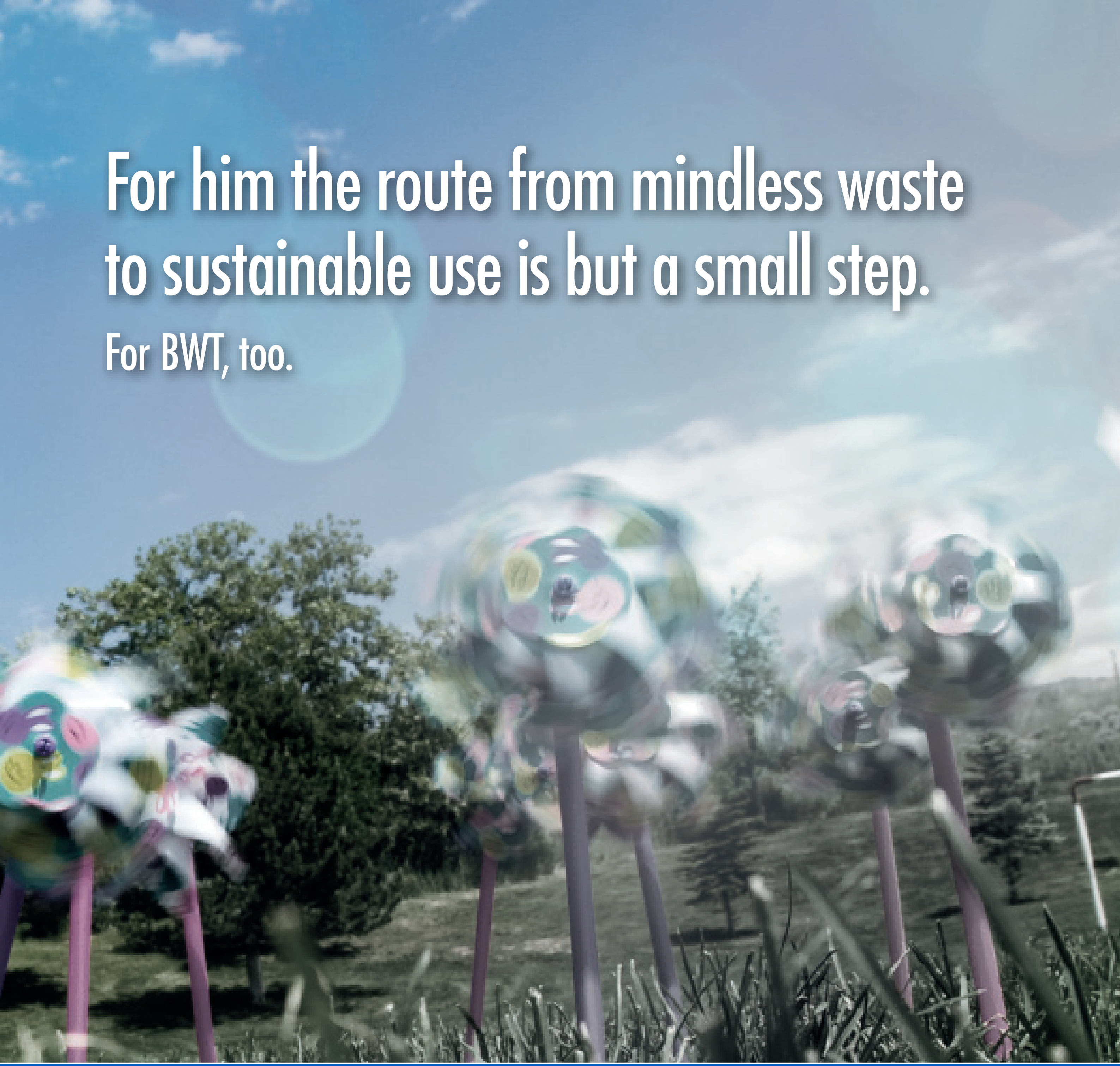
No events occurred after the balance sheet date (31 December 2012) that were of particular significance for the BWT Group and would have led to its assets, financial position and earnings being presented differently.

Mondsee, 19 February 2013

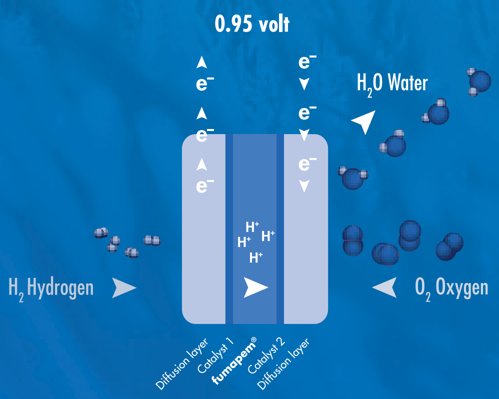
The Management Board

Andreas Weissenbacher

Gerhard Speigner



The fuel cell: clean energy for the 21st century



Climate change, CO_2 emissions and the rising demand for energy, food and clean water are all very closely linked.

Vast quantities of water are required to generate energy, which is why we have been working on fuel cell technology for more than two decades to develop efficient and sustainable ways of storing and supplying energy. We are leading the development and production of membranes for the PEM fuel cell, the 21st century energy converter for a range of applications, including mobile phones, notebooks and cars.

www.bwt-group.com

For You and Planet Blue.

BWT
BEST WATER TECHNOLOGY

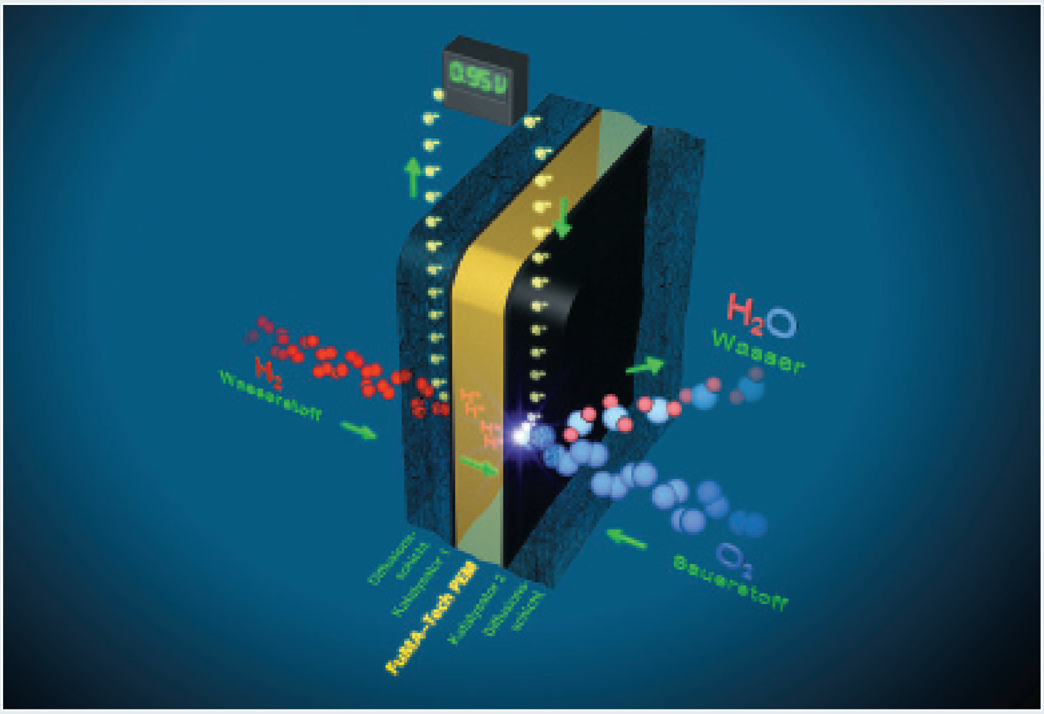
BWT battery and fuel cell membrane technologies
A new energy era has begun

Even if scientists still do not agree on the exact extent to which carbon dioxide is responsible for global warming, climate change on the one hand and an increase in CO_2 emissions caused by humans accompanied by the direct generation of heat on the other hand is a fact. According to the Internationales Wirtschaftsforum Regenerative Energien IWR (a German renewable energy industry institute), around 34 billion tonnes of carbon dioxide were emitted in 2011. This figure represents a 0.8 billion tonne increase on 2010. At the same time, the limit of 400 ppm CO_2 in the air (400 CO2 molecules per 1 million air particles) was overshot for the first time at a measurement station in the Arctic in spring 2012, as reported by the US weather authority NOAA. In the mid nineteenth century, at the start of industrialisation, this value was as low as 280 ppm. The development of alternative, sustainable energies, a solution to the ever increasing resource wastage as well as human intervention in the natural eco system are among the greatest challenges faced by our civilisation.

The elixir of life that is water and the energy that is essential for our living comfort are heavily affected by this. Water and energy are closely linked on many levels. Hydrogen and oxygen make water – and energy. With its fuel cell activities, BWT is making a contribution to this planet's urgently needed energy and resource turnaround. BWT fuel cell membrane technologies offer clean, efficient and reliable energy for virtually any application that requires electrical power.

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

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



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

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

FUMATECH's core competence focuses on the heart of the fuel cell: the proton-conducting membrane fumapem®. New applications for fumapem® membranes can be found in the market for renewable energy storage, e.g. in large-scale electrochemical storage devices such as vanadium redox batteries as well as in the production and storage of hydrogen right up to carbon dioxide separation for the new concepts of methanation in the area power-to-gas.

PEM cells dominate the market

From a commercial perspective, the PEM (Polymer Electrolyte Membrane) fuel cell is the most important type of cell in global fuel cell activities as it accounts for 97% of all deliveries. The PEM cell is a representative of the low-temperature fuel cells (PEFC, DMFC direct methanol fuel cell) with operating temperatures of 70°C to 170°C. This places less exacting demands on the material of the cell and stack components, which in term leads to lower material costs. However, a potential disadvantage compared with high-temperature fuel cells (MCFC: molten carbonate fuel cell; SOFC: solid oxide fuel cell) is that the gas purity of the fuel needs to be higher. But for the majority of current commercial applications of the PEM, which involve the use of pure hydrogen, this is not an issue – which accounts for the higher level of commercialisation. While PEM fuel cells are increasingly being used in the small-capacity range for numerous mobile applications and reaching a wide range of niche markets as a result, the focus of MCFC and SOFC is more on applications in small power stations. This is due not only to the prevailing high temperatures (650°C – 1,000°C), but also their suitability for combined heat and power generation.

Market trends in 2012 and applications

According to estimates prepared by Fuel Cell Today, sales of fuel cells in 2012 compared to previous years clearly accelerated to around 78,000 units (of which >90% PEMFC). This is more than three times the figure for 2011. What is notable here is the fact that, in the statistics for 2011, the percentage of "toy" and demonstration cells for learning purposes was excluded for the first time. This can be seen as a clear signal of the continuing commercialisation of the industry. So far, these have accounted for a large share of unit figures (originally 230,000 in 2011; 24,600 in the new statistics). These figures now fully reflect the introduction on the industrial market and end user market development.

Growth in the overall performance is reported to have been at around 176 MW or 61%. All areas contributed to this - large, stationary cell systems, continued growth in the smaller electricity and heat coupled domestic appliances and new, portable fuel cell chargers. In 2011, the strongest growth was recorded in the stationary systems, sales of which almost doubled and overtook the mobile and transport area terms of capacity.

Stationary applications

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

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

Acceptance of fuel cell applications is rising because the systems already installed are working reliably and the need for an electricity supply which is not dependent on a grid is increasing (Japan, USA). In addition, financial incentives and feed-in tariffs support the high efficiency of the systems in combined power and heat operation. The benefit in domestic applications lies in using the existing gas supply infrastructure. The micro-combined heat and power generation systems simultaneously generate heat and power with comparatively high efficiency levels. According to estimates, this facilitates a reduction of around 30% in CO_2 emissions.

By late 2011, more than 13,500 systems were in use in Japan as part of the Ene-Farm project, and around 20,000 are said to have been added in 2012. As part of the Callux project, around 800 fuel cell heaters are currently undergoing practical testing in Germany alone. Important suppliers are Baxi Innotech, Hexis, Vaillant, and there are new suppliers in the form of Ceramic Fuel Cells and Elcore, who have joined the fuel cell initiative. The output of these systems is somewhere between 1 kW and 3 kW – around one-third of which is electricity and two thirds heat. Other important markets are the UK, South Korea and Australia. The focus in the USA is more on higher outputs of around 5 kW (e.g. in schools and hotels supplied, for example, by ClearEdge Power). In addition, telecom companies are becoming increasingly aware of the issue of network-independent and uninterruptible energy supply (e.g. India, South Africa and Indonesia).

Mobile applications

The transport application area includes fuel cells for vehicles. This area has been fluctuating in recent years due to demonstration projects, which lead to high unit figures one year and lower figures the following year. In 2011, there was a decline of 38% in this important area. In 2012, calculations are again predicting that the figures will double, resulting in an increase of 19% for 2012 compared to 2010, spearheaded by the materials handling segment (forklift trucks etc.). The megawatt output only underwent minor changes in the transport area as developments in the subsegments partially balance things out. For example, there was good growth for scooters. The market for automotive fuel cell applications is set to dominate the fuel cell market as soon as the market launch has taken place; the automotive industry is currently preparing for this. In 2013, Hyundai will prepare mass production for 2015 with a fleet of 1,000 type ix35 SUVs. Daimler and other OEMs have announced the market launch of (initially) 10,000 vehicles for 2017.

Fuel-cell-driven vehicles are superior to battery-driven vehicles: they are faster and, above all, have a much longer range – ranges of 400 kilometres or more are no problem whatsoever. And instead of requiring several hours to recharge, they only have to be connected to a hydrogen fuel pump for a couple of minutes. However, massive investment needs to be made to increase the availability of hydrogen – preferably from sustainable production. In response, Daimler and Linde announced at the start of June 2011 that they plan to build 20 new hydrogen filling stations within three years. This would mean that as of 2014 Germany would benefit for the first time ever from a fully integrated north-south and east-west network. In June 2012, the German Government and industrial partners agreed to increase the number of hydrogen filling stations from its current level of 14 to 50 by 2015.

Portable applications

Typical applications include anything from chargers, mobile phones and notebooks to portable power generators for leisure applications. In these small systems, the hydrogen can be transported in the pressure cylinder or in a metal hydride storage system. Some manufacturers of electronic devices also use methanol as a fuel, which – as several companies such as Serenergy have shown – can be reformed to hydrogen, or – as Smart Energy has shown – can be converted directly to electricity in a direct methanol fuel cell. Some devices also have water-activated PEM cells presented in chargers, and Apple is also working on integrated solutions.

Products

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

Membrane type	Operating temperature	Product	Energy carrier	Applications
Low temperature (Type 1)	up to 85°C	fumapem F, S	H_2	stationary, portable
Medium temperature (Type 2)	up to 120°C	fumapem FZP, S	H_2	stationary, mobile
High temperature (Type 3)	up to 170°C	fumapem AM	H_2, reformate	mobile, stationary
Direct methanol fuel cell (Type 4)	up to 70°C	fumapem ST, P	CH_3OH	portable
Battery separators	up to 45°C	fumasep FAP, AM	Vanadium, zinc	stationary, portable
PEM water electrolysis	up to 60°C	fumea EF	Water	stationary, mobile
Alkaline water electrolysis	up to 130 °C	fumasep FAA	Water	stationary

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

Continuing research partnerships – FUMATECH in 2012

To ensure the sustainability of work at FUMATECH and secure a stable market position in the long term, the development projects and research partnerships have been adapted to the changed requirements and new markets. However, the most important R&D partners in Germany still include RWTH Aachen and various institutes of the Helmholtz Association, Max Planck Society and the Fraunhofer Society. In addition, a bilateral partnership with the HySA research centres of the Department of Science and Technology of the Republic of South Africa is supported in the field of fuel cells and water electrolysis.

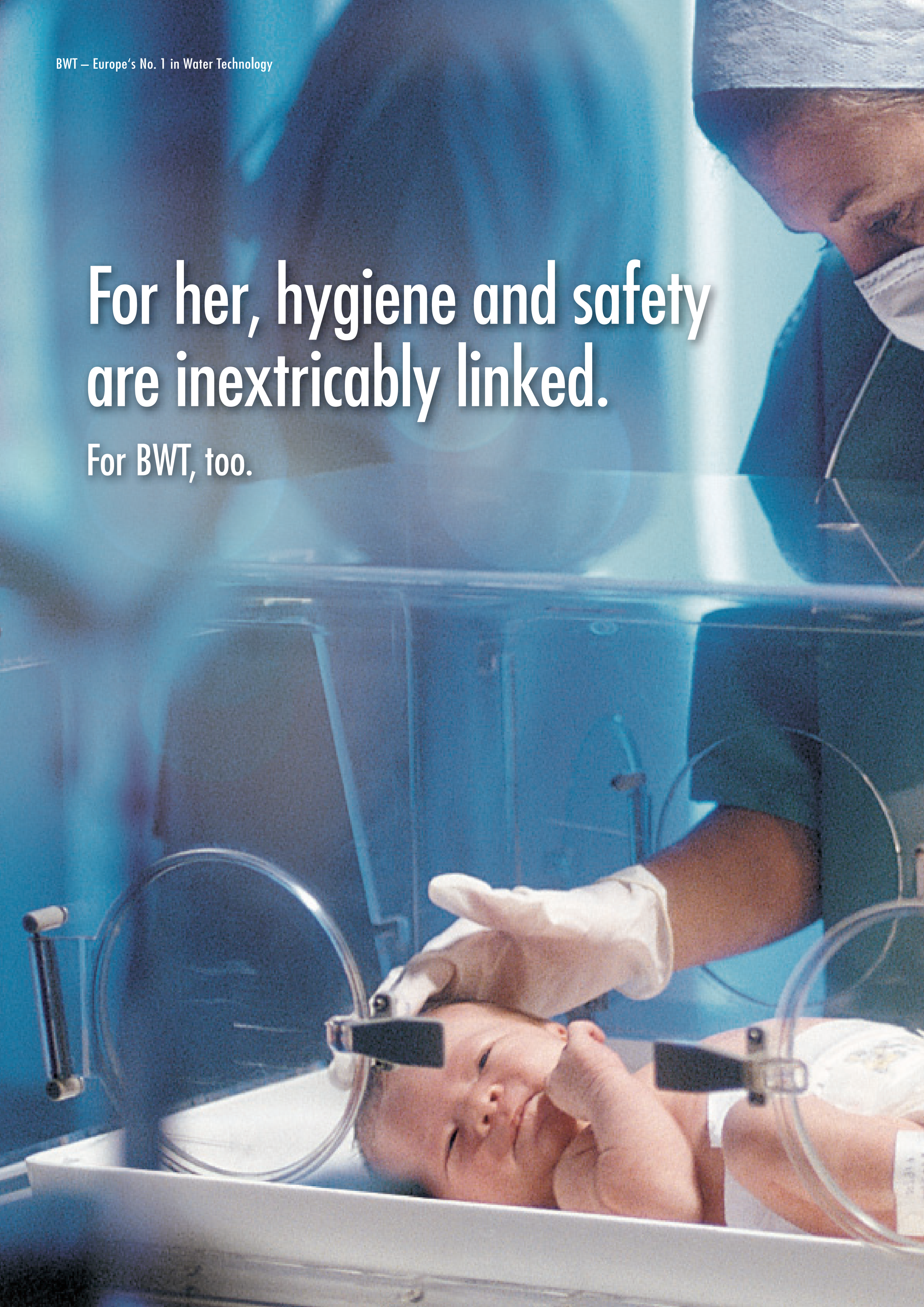
In 2012, different European research projects in the field of water electrolysis, the testing of low and high-temperature fuel cells under aggressive operating conditions as well as MEA recycling came to a successful conclusion. At the same time, the foundation for production optimisation for the new markets was laid at national and international level by means of new research projects.

In this regard, projects to optimise the output of catalyst-coated membranes for PEM electrolysis and to develop membranes for alkaline electrolysis were started in cooperation with the Jülich research centre. In an international consortium, new materials and membrane electrode units are developed for automotive application of fuel cells at higher temperatures and unmoistened operation. Finally, new tabular geometries for metal-air batteries, for the vanadium-air battery in particular, are examined in a further lighthouse project. The ongoing work on developing a high-output membrane based on innovative, patented high-sulfonated carbon hydride membranes for fuel cells is also being continued.

In the future, new markets such as generating electricity from saline water by means of reverse electrodialysis will be investigated, as will recovering latent heat from low-energy houses and fully air-conditioned rooms, for example, by means of a membrane-based heat and moisture exchanger.

Innovative and sustainable disinfection = FumaGen LSHC generators
2010 saw the start of activities aimed at selling the fumaGen® generators. These activities were successfully expanded in 2012. This new type of membrane-based electrolysis makes it possible to produce a salt-free hypochlorous acid, which is initially being marketed for "cleaning-in-place" (CIP) facilities in the food and beverages industry.

The promising sales opportunities are primarily thanks to the environmental benefits, safety and system service life compared with conventional competitor systems. Thanks to sustainable disinfection (significant savings of water, chemicals and energy), a major global soft drinks manufacturer certified the system for global use in the production sites. A globally operating brewery group also decided to use the fumaGen® technology. The system has also been recognised by manufacturers of filling systems and certified for use.



For her, hygiene and safety are inextricably linked.

For BWT, too.


BWT SEPTRON®
BWT SEPTRON® Biosafe – hygiene security for the pharmaceutical and biotech sectors
Companies in the pharmaceutical, biotech, watch-making, optics, precision engineering and metal processing industries, as well as in surface engineering and electro-plating, rely on first-class water quality. Only the highest standards of purity in flushing and process water, free of minerals and organic contaminants, can guarantee residue-free surfaces, a prerequisite for the highest possible level of processing. To achieve this water quality, BWT is constantly developing new technologies in order to keep the use of chemicals to a minimum. We are the only company in Europe to combine top quality and environmental protection in a single product, the patented BWT SEPTRON® Biosafe. This crucial constituent of many modern water treatment systems, together with our own systems, produces highly purified water – without the use of chemicals.
www.bwt-group.com
For You and Planet Blue.
BWT
BEST WATER TECHNOLOGY

Sustainability – For You and Planet Blue.

The mission of BWT – For You and Planet Blue

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

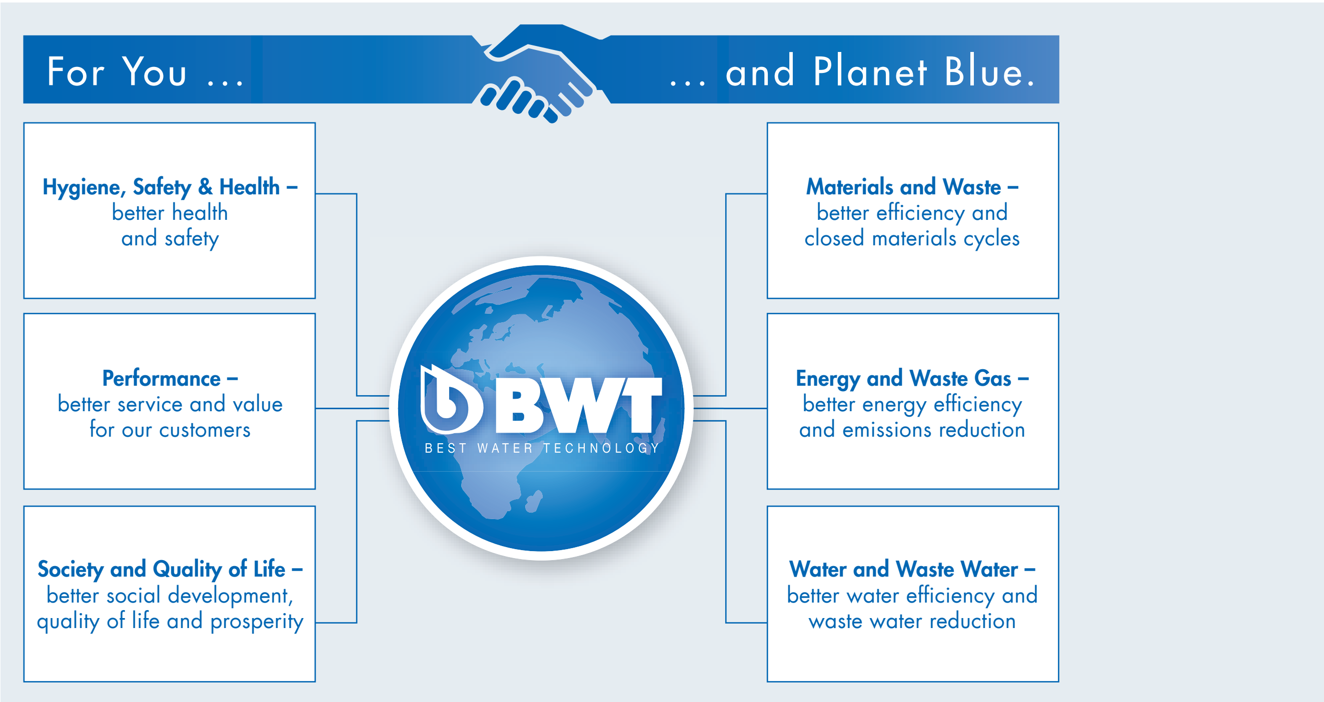
Sustainability forms part of our corporate culture

BWT´s corporate culture represents our basic values that we trust on in particular. Closely associated with this is our goal of pursuing long-term, entrepreneurial sustainability in all activities throughout the value chain. Along the path to this goal, we have anchored our mission in our company concept, which encapsulates our corporate and brand values and serves as a guiding light to our 2,800 employees.

Due to the increase in world population, prosperity, consumer needs and the corresponding consumption of resources, an adequate and sustainable supply of water is a global challenge. However, in many regions the supply of freshwater from the ecosystem is reaching its limits ("water stress") due to overuse. The global task essential in order to preserve sustainable life on Earth is therefore to break the link between growth and quality of life on the one hand and emissions and the consumption of resources on the other. Our contribution as a company lies in the development of water technology products and services aimed at supplying the best possible water, regardless of source, using fewer and fewer resources while maintaining or improving service levels.

For You and Planet Blue in our areas of activity

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



In the area of technology innovation and product development, this model forms a foundation and helps to test and develop new products in the light of these standards if advantages can be attained over either our own existing products or those of our competitors in at least one of these areas of activity. This is backed up by the BWT Code of Conduct, which reflects the ethical values of our business and provides our employees with guidelines for their daily work. Further important voluntary and statutory regulations are the BWT Compliance Guidelines, the Corporate Governance Regulations according to the Austrian Working Group for Corporate Governance, the Management Handbook, the IT Policy and several other international and locally applicable guidelines.

Compliance

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

Our stakeholders

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

BWT operating function	Stakeholder	BWT stakeholder and their dimension
Finance ➤	Capital providers (Investors, Banks)	One major shareholder, 74%, free float 20%, some institutional investors, and retail investors, banks; total €6.2 million in dividends, interest and share buy-back
Personnel ➤	Employees	2,726 employees (FTE) worldwide, 98% in Europe, staff costs: €164.0 million
Research & Development ➤	Environment (Product effects)	Economically and ecologically optimised water treatment products and processes, direct R&D expenditure €8.8 million
Purchasing ➤	Market partners (Suppliers)	Procurement volume: €305.2 million, several thousand suppliers
Production ➤	Environment	Four main production sites: Mondsee (A), Schriesheim (D), Paris (F), Aesch (CH); new investment: €37 million
Marketing & Service ➤	Customers and distribution partners	Revenues: €502.3 million from wholesale, retail, industry and municipality customers as well as planners and architects, municipalities
BWT Group overall ➤	Society	Authorities, social insurance providers; taxes, statutory payroll and social security charges, financial contribution: €38.6 million

Sustainability Progress Report 2012

The extension of the "BWT" consumer brand among our end consumers and the associated development and expansion of the Point of Use business form an integral part of the BWT sustainability strategy. Point of Use thus acts as a catalyst for the BWT Group as a whole and is implemented at all levels of the company to provide impetus for development. The specific intention is for all the other product segments and partners to benefit from the new Point of Use business segments as well as a greater brand awareness for BWT ("push-pull strategy"). This is closely associated with upgrading the organisation and processes, with a stronger focus on distribution partners and end consumers. State-of-the-art building technology and systems are used as part of the investments in new buildings and facilities to the benefit of our employees and the environment. The new production facilities received quality management and environmental management certification and existing production standards in PoE products were raised significantly (e.g. food standard).

Important milestones in terms of product innovations and market launches included the E1 single-lever filter, the OsmoVision pharmaceutical water system and the further development of the BWT Mg^{2+}/silver-free technology for table water filters and professional filters for the HORECA markets, which bring about considerable benefits in terms of use and with respect to the environment.

In light of our expanding workforce, we place particular emphasis on training schemes for our employees as well as occupational health and safety measures.

Customers

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

The development and expansion of our ("drinking water professionals") partner network in the PoE product segment has been a special focus of our activities for a number of years. The BWT network posted recent growth of around 30%, and training activities have increased by around 25%. In 2012, the Point of Use Consumer segment set up its own sales network. The number of quality management systems implemented in accordance with ISO 9.001 has increased across the group from 11 to 16. We have also forged ahead with the roll-out of CRM systems (from 7 to 12). The scheme to systematically improve customer satisfaction was also expanded and is showing a thoroughly positive picture.

Customer satisfaction – the BWT Gourmet Edition table water filter with Mg^{2+} technology

BWT – the brand live with end consumers: with point-of-sale campaigns and mobile tasting promotions at sporting events and trade fairs, in shopping streets and retail outlets, BWT offers all customers the opportunity to try the excellent BWT water produced by the Mg^{2+} table water filter for themselves.

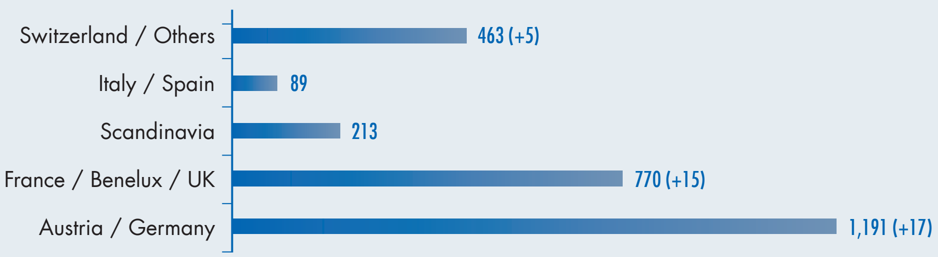
Convinced that BWT water produces the best coffee – Barista champion Nana Holthaus-Vehse

Nana Holthaus-Vehse is the winner of the 2009 German Barista Championship and, as such, is a proven authority in coffee and coffee preparation. "The magnesium in BWT-filtered water is what makes the difference compared with conventional systems. It complements the character of the different coffee blends and produces a smooth, well-rounded taste", says Nana Hothaus-Vehse. But she rates not only the taste of coffee that has been prepared using BWT-filtered water: "The crema is also thicker and longer-lasting than with coffee that has not been made using BWT-filtered water", says the Barista champion.

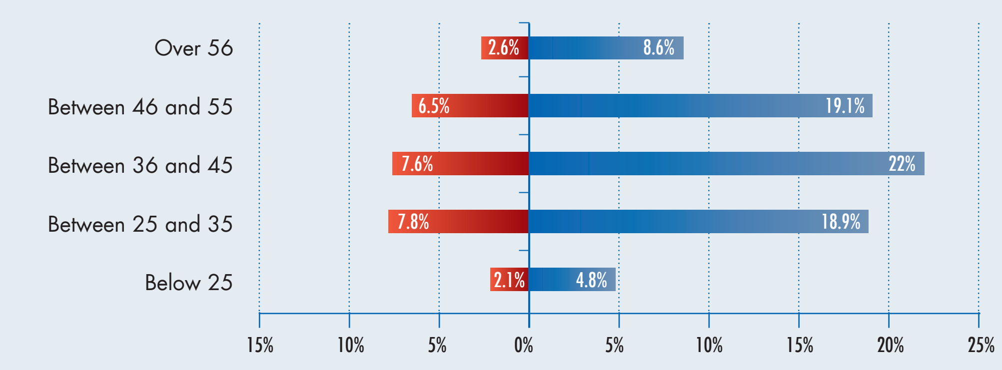
Employees

The number of employees working at the BWT Group rose again in 2012 and at the end of the year the workforce totalled 2,726 people (in full-time equivalents). This equates to 37 more employees than last year. 98% of our employees are based in Europe. Although employees are offered an extremely diverse range of job roles, the proportion of male employees is still very high at over 73%. This may be due to the strongly technical nature of many of the roles. With more flexible working hours for better integration of work and family life, more education and further training opportunities for women and measures both to increase the company's appeal as an employer and attract more women to technical professions, the aim is to increase the proportion of women in the workforce.

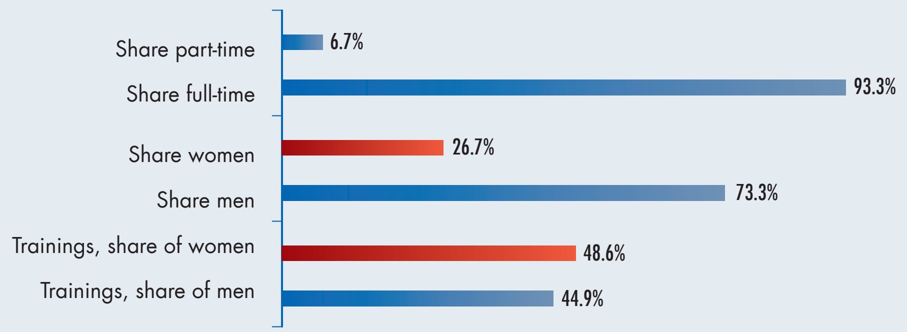
Employees, regional breakdown and change



Employees age structure (women and men), share of staff



Employee age structure (women and men), share of staff



The average age of the workforce is 40 for women and 41 for men. Around 11% of our employees have completed an apprenticeship. In order to appeal to as many interested young people as possible, BWT starts in schools and organises company tours, provides support to teachers of specialist subjects and gives talks on specialised topics. The training programme, which offers around 50 young apprentices 12 different occupations, is a particular focus of our activities. Parallel to this, there are longstanding cooperation agreements with vocational training colleges and universities. More than 90% of the apprentices are offered a permanent job contract after they complete the training program, which can be considered as proof of the success of this training model.

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 2012. Based on provisional calculations, around 47% of our employees took part in internal or external training schemes in 2012. This equates to an increase of 6% compared with the previous year. All sites offer voluntary social benefits to varying degrees. Some of the most important tasks include continuing to introduce occupational health and safety measures, reducing our staff turnover, which remains unchanged at 10%, and the positive development of our sick leave data (currently averaging 8 days per employee).

Occupational health and safety in a different light

The German Pharma & Biotech team put their composure and concentration skills to the test to allow their talent to unfold freely, in the truest sense of the word, at a climbing park in Illingen. Under the slogan, "Discover the forest from a different perspective", participants were fitted with a safety harness and let loose to discover the climbing park together. After a short induction, a whole forest of fun awaited the BWT employees in the brilliant sunshine. With a range of tasks and exercises pitched at varying levels of difficulty, the course offered something for everyone.

The group-wide Code of Conduct provides employees with a guideline on legally compliant and ethically correct behaviour, including regulations on the acceptance of gifts and a prohibition of corruption. The regulations are implemented at local level, and are the responsibility of middle management within the framework of the compliance organisation. An e-learning tool was developed in 2012 to assist with compliance training. It will be used in 2013. A comprehensive Management Handbook includes all the regulations applicable to the BWT Group for the benefit of the group's management.

Suppliers

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

Environment

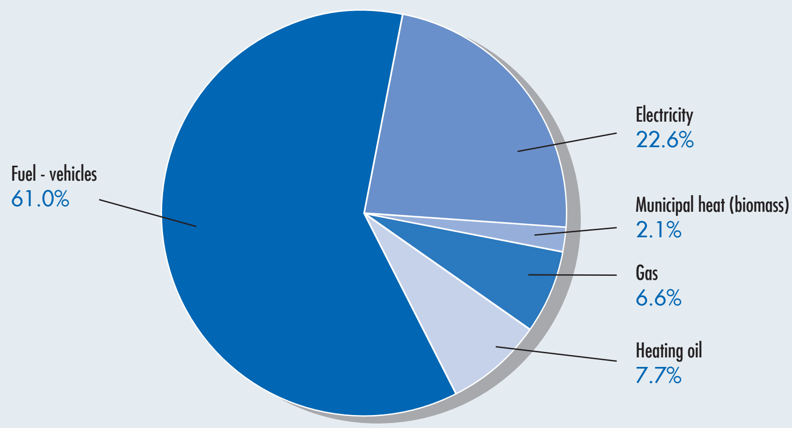
Within the context of the existing quality and environmental management certification (ISO 9.001 and ISO 14.001), a particular emphasis is placed on energy consumption, waste prevention and recycling. Despite major successes achieved through the use of reusable packaging and logistics optimisation, it is likely that energy consumption will increase further due to expansion (particularly at the Mondsee site), although sustainable energies will be used here. An especially high proportion of recycling has been achieved with the brass we procure (approximately 65%) and with cardboard packaging. However, recycling of other input materials (e.g. plastics) still has significant room for improvement. According to preliminary figures, 2,620 tonnes of waste were produced overall in 2012. BWT has agreements with licensed scrap material companies for the collection and environmentally sound disposal of waste in all countries where its production plants are based.

BWT – new solar power plant and electric car

At the end of July 2012, a solar power plant was put into operation at the Aesch site in Switzerland. With photovoltaic modules covering a total surface area of 1,000 m^2 and a peak output of 378kW, around 330,000 kWh of electricity per year will be produced on the roof of BWT Aqua - sufficient quantities to supply around 100 households for a whole year.
The Norwegian BWT subsidiary BWT Birger Christensen has been home to an electric car - a Nissan Leaf - since May 2012. Those employees who have used it so far all have good experiences to share: "I use the car every day to travel to the office in Oslo. The journey is 50 kilometres in each direction and I am very pleased. It is really cheap to charge - only €2 for 150 km - and I charge it at home over night and at the office during the day. The fact that electric cars are allowed to use the bus lane in cities in Norway also represents a significant time advantage - in addition to the environmental benefits.

Based on provisional figures, the BWT Group's energy consumption rose to 57.3 GWh in 2012 (previous year: 54.7 GWh), of which heating accounts for around 16%, electricity for 23% and fuel most of the remaining 60%. CO_2 emissions are primarily caused by the company's fleet of vehicles (62%, 1,229 vehicles), while the rest mainly come from heating buildings.

Energy use in the BWT Group (%)



Considerable savings in CO_2 emissions were achieved at the new Swiss site by expanding and renovating the factory building in Aesch. Oil consumption was reduced by over 120,000 litres, which equates to more than 320 tonnes of CO_2 a year.

Around 11,170 tonnes of direct and 3,730 tonnes of indirect CO_2 emissions were generated in 2012 (14,900 tonnes in total). As a result of the ongoing programme of expansion-related investment, a further increase in emissions is anticipated, mainly owing to the company's fleet of vehicles. However, this will be significantly slowed down and later reduced by the procurement of more economical vehicles with newer generations of engines as well as the optimisation of operational and route planning and the thermal improvement of buildings.

AQA perla – BWT pearl water and less CO_2

Taking a shower or a bath is a wellness experience. The BWT AQA perla transforms water into silky soft pearl water. A difference that you can really feel: skin is noticeably softer, hair smoother and glossier. Using soft water in the washing machine makes laundry beautifully soft and snuggly, and protects household appliances, pipes, tiles, fittings and shower walls against limescale deposits. This ensures a longer life and reduces energy costs, and thus CO_2. A limescale layer of 2 millimetres can dramatically reduce the energy efficiency of heating and hot water – by around 20%. And with the AQA perla, you can save up to 260 kg of CO_2 every year.

BWT develops the most modern processes for water technology products, which not only represent state-of-the-art technology but also, in many cases, set new standards in safety, health and hygiene, both economically and ecologically. Many of our products are made with this new technology, guaranteeing a longer life and higher capacity. The new E1 single-lever filter, AQA perla "Eco & Eco" efficient water softening facilities, AQA total energy, UV and ozone disinfection plants, membrane systems and complete installations, as well as the comprehensive heating protection programme, are just some examples.

BWT FuMA-Tech fuel cell membranes

BWT membrane technologies are used not only in water treatment, but also in energy generation and storage applications. Together with alternative sources of energy, they pave the way towards a clean, sustainable supply of energy. BWT FuMA-Tech's core competence focuses on the heart of the fuel cell: the proton-conducting membrane fumapem®. New applications for fumapem® membranes can be found in the market for batteries, particularly in the storage of renewable energy in large-scale electrochemical storage devices such as vanadium redox batteries.

Society

In 2012, the BWT Group paid approximately 30% (previous year: 31%) of its earnings in taxes (€6.3 million). In addition, other taxes and charges came to €3.1 million (previous year: €2.9 million), and social security contributions came to €29.2 million (previous year: €28.2 million). A total of €38.6 million was paid directly to public sector authorities and social entities. As in previous years, the company supported various relief projects in 2012, making financial donations and assisting projects in emerging countries as well as helping employees and others in need in the region. In addition, it also supported sporting clubs and young sportspeople through sponsoring initiatives.

Hygiene, safety and health and an assured supply of drinking water are of key importance to the development of our society. As a supplier of state-of-the-art water technologies, BWT makes a significant contribution in this area. BWT has strong regional roots and is a major employer in many locations. Around 70% of the Group's companies are led by local management teams. On average, 60% of our purchases are made locally in the countries where our business activities are based.

The BWT anti-arsenic filter

As part of a campaign with the Hungarian Red Cross for World Water Day 2012, BWT donated 500 anti-arsenic filters with filter cartridges to the organisation in order to raise public awareness with the innovative product and provide an attractive and simple solution. In Hungary, more than 1 million people in around 200 regions drink water that is contaminated with arsenic every single day. The arsenic-levels in the water are up to 30 times higher than the WHO's arsenic threshold value of ten billionths of a gram per litre. The Red Cross and BWT are using the campaign to warn as many people as possible about the health risks associated with arsenic and distribute anti-arsenic table water filters to people that have been affected. Despite these tremendous efforts, the World Health Organization (WHO) estimates that millions of people worldwide will continue to be affected by arsenic-contamination in their drinking water on a daily basis. In drinking water, the chemical damages the health of people living in 36 countries across all five continents. Although arsenic is present in minute concentrations in many ground levels and groundwater sources, the high concentrations found in the countries affected give rise to considerable health risks. According to a survey by the International Water and Sanitation Centre (IRC), Hungary, Serbia and Croatia are the European countries most severely affected by this problem.

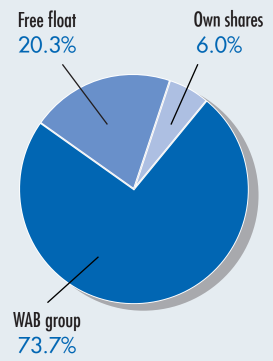
For him, hygiene is particularly important.
For BWT, too.
BWT Rondomat Duo H – a hygiene revolution for water systems
Like private households, operators of large plant and industrial facilities also have to soften large volumes of drinking water, but for technical applications and for the protection of their valuable assets. The highest standards of hygiene are vital here. When an organic medium is used to filter calcium ions from the water, there is always the risk of contamination. The brand-new, high-capacity water softener, BWT Rondomat Duo H, combines the highest hygiene standards with state-of-the-art technology. In this revolutionary system, the organic resin is replaced by inorganic HionEx, thus eliminating the risk of the ion exchange material encouraging the growth of micro-organisms in the water.
www.bwt-group.com
For You and Planet Blue.
BWT
BEST WATER TECHNOLOGY

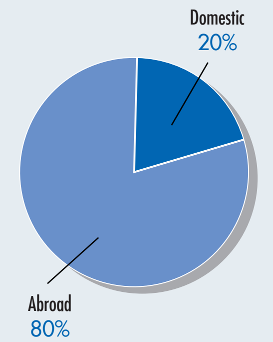
The BWT Share

Data and facts about the BWT share

Number of shares	17.8335 million*, issued to bearer
Free float	20.3% (Feb. 2013)
ISIN	AT0000737705
Bloomberg code	BWT AV
Reuters code	BWTV.VI
Main trading center	Vienna Stock Exchange
ADR program	€ 12.17 (as at 5.06.12; 2011: € 10.90)
Minimum price 2012	€ 14.33 (2011: € 17.36)
Average price 2012	€ 16.03 (as at 21.12.12; 2011: € 22.62)
Maximum price 2012	€ 16.00 (2011: € 13.06)
Market capitalization	€ 285 million (as at 29.12.12; 29.12.2011: € 233 million)
Trading volume per day	23.588 million shares (double counting, Vienna Stock Exchange, 2012)
Trading turnover per day	0.349 million € (double counting, Vienna Stock Exchange, 2012)
Index membership	ViDX, WBI, S&P Global Water Index, NX-25 (ÖKO-INVEST), NAI (Natur-Aktien-Index), NAI (Natur-Aktien-Index), VÖNIX, Global Challenges Index (oekom)
Broker research	Erste Bank, Goldman Sachs, Kempen & Co.

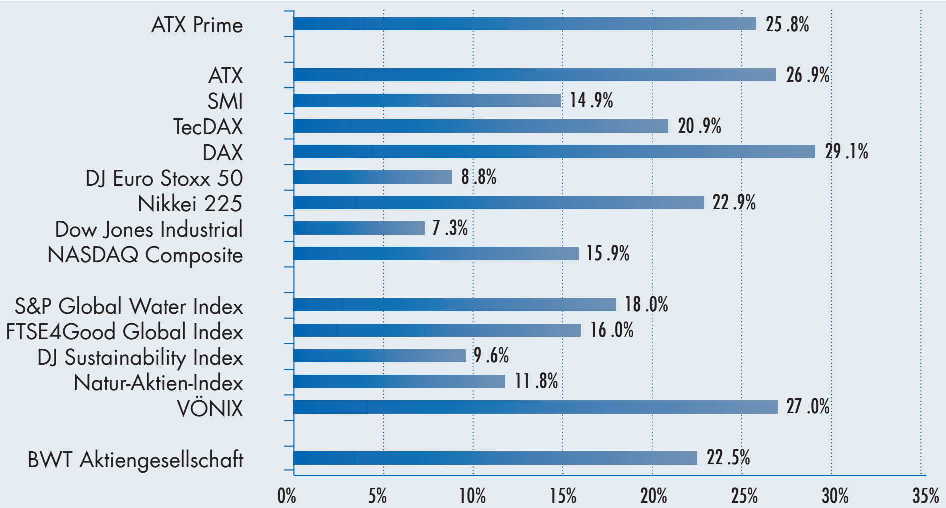
Shareholder structure (Feb. 2013)





thereof roughly 1.0 million treasury shares as at 31.12.2012. More information ont the BWT share buyback on www.bwt-group.com in section Investor Relations.

Index performance 2012



Information per share	2012	2011	Change
Earnings (€)	0.87	0.80	+7.6%
Dividend (€)	0.28*	0.28	+/–0%
Book value (€)	9.44	9.12	+3.5%
P/E maximum	18.4	28.3	–
P/E minimum	14.0	13.6	–
P/E year-end	18.4	16.3	–

** Proposal to the Annual General Meeting*

BWT shares in 2012

A year earlier, many investors and the media, but also many economists, anticipated an imminent collapse of the euro zone, a double-dip recession in the USA and a "hard landing" in China. These fears even intensified in the first half of 2012, peaking in the summer. Initially, at the parliamentary elections on 17 June, a majority of the Greek population voted against a disorderly exit from the euro zone. At the end of July, the statement made by the President of the ECB declaring that the ECB would do whatever it takes to preserve the euro further reduced the risk of euro zone disintegration. With additional bond purchases, the US Fed also expanded the quantitative easing. As a result, the scenarios that many had feared did not come to pass and equity markets saw growth of between 10% and 20% in 2012.

In 2012, the US equity market, measured by the Dow Jones Industrial index, posted a slight gain of 7%. The index began the year at around 12,220 points, increasing by around 1,000 points by the beginning of May. There was then a correction by the beginning of June and it settled back to the level posted at the start of the year. However, the sharp downturn was interrupted at the end of October/beginning of November with the index gaining to close the year at around 13,100 points.

Following a loss of 15% in 2011, the German share index (the DAX) achieved the highest point in the year so far of around 7,200 in spring 2012 after having started the year at 5,900 points. However, by the beginning of June, fears in the wake of the European sovereign debt crisis also drove the index back to the level at which it started the year. The DAX then closed the year at 7,612 close to its annual high. This represented an overall rise of 29% in 2012.

Following the decline of 35% in 2011, the Vienna Stock Exchange recovered well once again. The leading index on the Vienna Stock Exchange (the ATX) rose by 27%, outperforming all major European stock exchanges except for the German DAX. Just like the other leading stock exchanges, the Vienna Stock Exchange experienced a rebound at the start of the year after a poor second half to 2011, gaining 300 points from January to March from a starting point of approximately 1,900 points at the beginning of the year. A consolidation phase mid-year triggered by uncertainty in the euro zone counteracted the gains once more. Then, after finding a stable base in early August, the ATX showed a clear upwards trend, finishing the year at close to the annual high of 2,724 points.

The number of trading members directly admitted to the Vienna Stock Exchange increased slightly in 2012 to 96 from 94 previously (of which 58 were foreign). The monetary turnover in domestic shares dropped again by 40% compared with the previous year to €35.8 billion. The figure has thus fallen by more than half since 2010. The trading volume was down 30% on the figure for the previous year. As at 29 December 2012, market capitalisation was €77.4 billion (year end 2011: €63.5 billion).

The sustainability indexes grew by between 10% and 18% in 2012, and the VÖNIX chiefly has the strong weighting of equities on the Vienna Stock Exchange to thank for its growth of 27%. The approximately 110 environmental investment funds listed in ÖKO-INVEST in German-speaking countries posted consistently positive results of +11% in 2012 after a performance of +11% in 2010 and -15% in 2011. The major water investment funds gained around 14% to 18%. The equity investments in wind power also developed positively despite the fact that the solar industry is suffering from declining feed-in tariffs (in Germany for example) and stronger competition.

At political level, hardly any progress was made on combatting climate change. At the Climate Change Conference in Doha, the participants from 194 countries agreed to extend the Kyoto Protocol until 2020. The developing countries are also set to join the Protocol and this is to be set out in a new agreement in Paris by 2015. The practical arrangements are to be negotiated at the next Climate Change Conference, which will take place in Warsaw in 2013.

The supply of sustainable public funds in Germany, Austria and Switzerland grew strongly again in 2012, according to the Sustainable Business Institute (SBI). According to the institute, 382 funds were admitted to trading in the German-speaking countries, whereas at the end of 2011 there were only 357. The volume increased to over €34 billion after approximately €30 billion at the end of 2011. 46 new funds were admitted and 21 were either merged or closed.

After a performance of -41% in 2011, the BWT share rallied considerably and gained 23% to the end of 2012. Starting from the 2011 year-end price of €13.06, the share quickly gained 20% by the beginning of February 2012. It then tended weaker in line with the market and only managed to regain this earlier level with the announcement of the public takeover bid, which triggered a price jump from €14.02 to €16.00 on 14 September.

On 14 September 2012, Aquivest GmbH, a company indirectly controlled by WAB Privatstiftung, announced a public mandatory offer in accordance with sections 22 et seq. of the Übernahmegesetz (ÜbG – Austrian Takeover Act). This meant that, together with its preceding legal entities, it exceeded a total voting interest of 30%. The offer period ran from 19 October 2012 to 6 November 2012 with an extension to 8 February 2013. The offer price was €16.00 per share. In the context of this offer, the proportion of shares issued increased to 59.3% by 6 November 2012. More detailed information is available on the BWT homepage under Investor Relations.

Within the ATX Prime index, the BWT share ranked 29th in terms of its market capitalisation, unchanged from last year, and 31st in terms of trading volume. With a trading turnover (annual volume of money) of around €86 million in 2012, the liquidity of the share was some 11% down while the trading volume was 4% higher. The average daily turnover of 23,588 shares (previous year: 19,745) was 19% greater than in the previous year and thus almost back at the level of 2010.

In light of the takeover bid, the free float decreased over the course of 2012 from 68% (not including treasury shares) to around 35% at year-end and 20% in February 2013.

In 2012 too, BWT AG continued its share buyback programme and repurchased 33,559 BWT shares by 16 May 2012. As of the end of 2012, holdings of our own shares therefore totalled 1,072,898 or 6.0% of shares issued. The market value of the own shares was €17.2 million at the end of the year. The authorisation for the share buyback was renewed at the date of the Annual General Meeting on 24 May 2012. More detailed information on the share buyback programme is available on the homepage at www.bwt-group.com.

Despite clear growth – in the last 20 years, revenues grew by an average of 7% per year – BWT is committed to a stable dividends policy. On average, during the past 10 years, roughly 30% of the net profit has been paid out to shareholders. In 2012, the payout ratio was 35%, equalling €4.7 million for shareholders. Based on earnings in 2012 of €0.87 per share and the ongoing high level of investment, the Management Board will propose a dividend of €0.28 per share to the Annual General Meeting in May 2013 – the same dividend per share as last year.

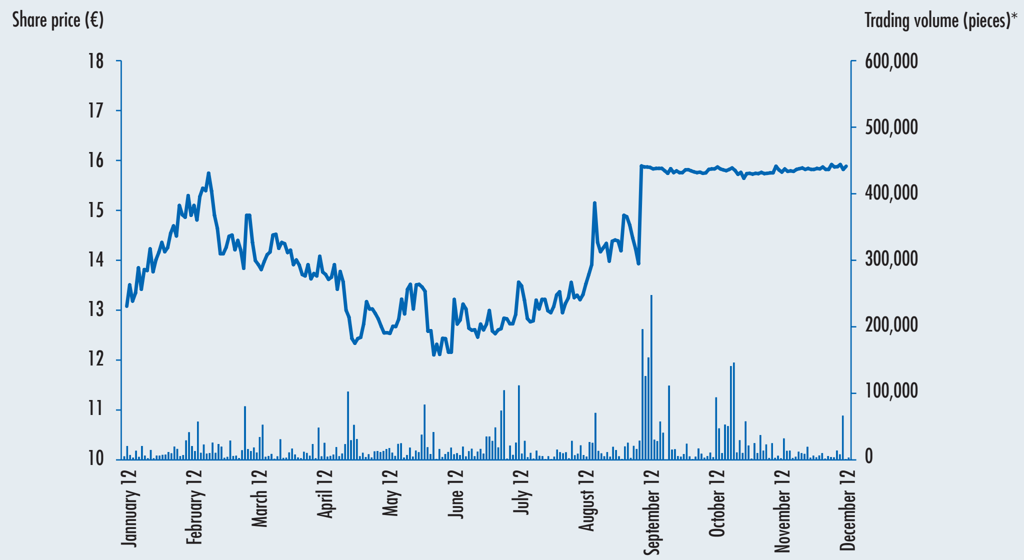
Investor Relations

As a listed public limited company, BWT AG offers all interested investors the opportunity 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 2012 by the following banks: Erste Bank and Kempen & Co. In order to further improve investors' familiarity with the BWT share and its unique positioning, in 2012 we participated in a total of 5 (previous year: 7) international investors' conferences and roadshows as well as a series of local private investor 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 2012



Source: Wiener Börse AG

* excl. 26.9.2012: 868,872 pieces (double counting)

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)

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

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

To avoid insider trading, since 2002 a policy based on the Emittenten-Compliance-Verordnung (ECV – Regulation on Compliance for Issuers, current version: 2010 with amendment of February 1st, 2012) of the Austrian Financial Market Authority is implemented in the company by the Compliance Officer. The Code of Conduct which came into force in 2007 was amended in 2010 and is aimed at all employees and includes all the principles of conduct. It provides guidance on the fundamental ethical and legal duties of BWT employees.

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

The Code comprises three rule categories:

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

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

The Executive Board

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

The share of female employees of the BWT Group is roughly 27%, the share of management roughly 10% and in the Supervisory Board 20%. Gendering measures include opportunities to better balance job and family like flexible working time (eg part time work) and home office.

The Supervisory Board

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

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

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

Independency of the Supervisory Board

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

Committees and activities of the Supervisory Board

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

Apart from the Audit Committee there is no committee established by the Supervisory Board of BWT AG. The following persons of the Supervisory Board form part of the Audit Committee: Dr. Bednar as Chairman, Ms. Egger and Mr. Reicher. The Audit Committee held 2 meetings in the year 2012 at which the year-end accounts and analysis and the internal control, revision and risk systems were discussed. The auditors attended both meetings.

In the year 2012, the Supervisory Board held 4 ordinary meetings. The average rate of presence was 90%. 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 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 2012, 88% of the total remuneration of the Management Board was fixed and 12% performance-related. No value has been determined for the variable maximum. The compensation of Mr. Andreas Weissenbacher amounted to €428.1 thousand and of Mr. Gerhard Speigner to €309.8 thousand. 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 Remuneration Committee are assumed by the entire Supervisory Board. Relevant knowledge and experience about compensation policy is contributed in particular by Dr. Bednar.

Report on the compensation of the Supervisory Board

Compensation of the Members of the Supervisory Board was determined by the Annual General Meeting on May 24, 2012, for the financial year 2012. The members of the Supervisory Board received expense reimbursements totalling € 55,000 for the activities during the 2012 financial year (2011: € 55,000). The basic remuneration for the Members of the Supervisory Board amounts to € 7,500 (2011: € 7,500) per person, for the Chairman € 25,000 (previous year: € 25,000). Beyond that, there were compensations of travel costs.

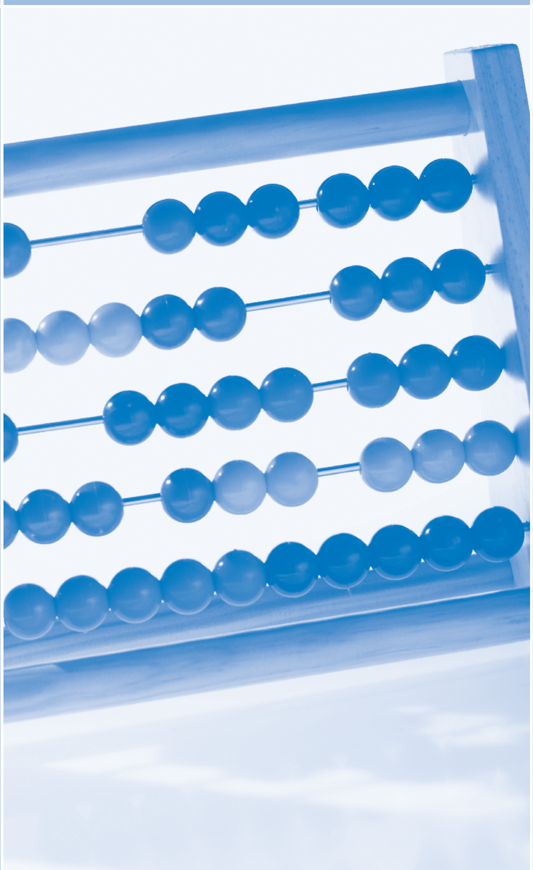
It is no question for BWT to acknowledge equal opportunities at work and equal treatment of employees. Gendering measures include a special focus on internal trainings and support schemes and increased flexibility to facilitate the balance of family and professional occupation.

BWT Aktiengesellschaft

CONSOLIDATED FINANCIAL STATEMENTS

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

2012



BEST WATER TECHNOLOGY

I. Consolidated statement of comprehensive income for financial year 2012

	Note	2012 T€	2011 T€
Revenues	(1)	502,298.9	478,875.5
Other operating income	(2)	6,308.1	8,485.5
Changes in inventories of finished goods and work in progress		775.4	–743.1
Own work capitalized	(2)	664.3	1,020.0
Raw materials supplies and purchased merchandise	(3)	–201,877.6	–191,170.2
Personnel expenses	(4)	–163,965.8	–157,371.0
Other operating expenses	(6)	–103,376.2	–99,969.6
Operating earnings before amortisation/depreciation		40,827.1	39,127.1
Depreciation and amortisation	(5)	–18,602.6	–17,392.5
Operating earnings		22,224.5	21,734.6
Financial income	(7)	909.8	1,765.5
Financial expenses	(7)	–2,438.5	–3,634.3
Earnings before taxes		20,695.8	19,865.7
Income taxes	(8,16)	–6,273.9	–6,089.2
Earnings for the period		14,422.0	13,776.5
Of which:			
Shareholders of the parent company		14,511.6	13,590.1
Minority interest	(17)	–89.6	186.4
Earnings per share (in €): basic = diluted	(26)	0.87	0.80
Number of shares issued		16,771,902	16,901,626

II. STATEMENT OF COMPREHENSIVE INCOME

	Note	2012 T€	2011 T€
Earnings for the period		14,422.0	13,776.5
Other earnings			
Actuarial gains/losses	(18)	–5,166.4	475.2
Taxes thereon	(8)	1,311.2	–187.2
Valuation of securities („available-for-sale“, pursuant to IAS 39)	(10,24)	–290.5	–726.6
Taxes thereon	(8)	72.6	181.7
Foreign currency translation		618.8	–13.6
of which reclassified to the income statement		0.0	–82.7
Total amount of other earnings		–3,454.3	–270.5
Total earnings for the period		10,967.7	13,506.0
Of which:			
Shareholders of the parent company		11,058.2	13,329.3
Minority interest	(17)	–90.5	176.7

III. Consolidated balance sheet as at December 31, 2012

ASSETS	Note	As at 31.12.2012 T€	As at 31.12.2011 T€
Goodwill	(9)	28,989.2	31,001.1
Other intangible assets	(9)	17,868.5	20,171.2
Property, plant and equipment	(9)	109,208.1	88,042.2
Financial investments	(10)	4,385.2	4,259.6
Other receivables from third parties	(12)	1,268.0	1,203.3
Deferred tax assets	(16)	8,634.5	6,871.3
Non-current assets		170,353.5	151,548.7
Inventories	(11)	75,594.2	69,926.5
Trade receivables	(12)	67,407.9	71,671.5
Receivables from construction contracts	(12,13)	12,393.6	11,453.3
Income tax assets	(12)	929.9	307.0
Other receivables from third parties	(12)	8,105.6	11,975.7
Cash and cash equivalents	(15)	17,954.6	14,286.6
Assets held for sale	(14)	0.0	127.5
Current assets		182,385.8	179,748.1
BALANCE SHEET TOTAL		352,739.3	331,296.8

EQUITY and LIABILITIES	Note	As at 31.12.2012 T€	As at 31.12.2011 T€
Subscribed capital		17,833.5	17,833.5
Capital reserves		17,095.8	17,095.8
Revenue reserves			
Accumulated profit/loss		149,176.0	143,212.6
Foreign currency translation		3,102.2	2,482.5
Available-for-sale financial assets		239.6	457.5
Own shares		–19,392.1	–18,957.7
Total to shareholders of parent company		168,054.9	162,124.2
Minority interest	(17)	357.1	523.0
Equity	(17)	168,412.1	162,647.2
Provisions for social capital	(18)	33,433.1	28,558.3
Deferred tax liabilities	(16)	1,315.2	1,855.7
Other provisions	(19)	1,602.0	1,514.6
Interest-bearing financial liabilities	(20, 24)	23,677.0	23,312.4
Other liabilities	(20)	1,102.5	1,334.1
Non-current liabilities		61,129.8	56,575.1
Current income tax liabilities		1,637.4	4,213.3
Other provisions	(19)	9,730.7	9,608.1
Interest-bearing financial liabilities	(20, 24)	17,330.7	8,056.7
Trade liabilities	(20)	42,231.2	39,340.8
Liabilities from construction orders	(13)	4,053.3	6,478.7
Other liabilities	(20)	48,214.1	44,376.9
Current liabilities		123,197.4	112,074.5
BALANCE SHEET TOTAL		352,739.3	331,296.8

IV. Consolidated statement of cash flows for financial year 2012

		Note	2012 (T€)	2011 (T€)
+	Earnings before taxes		20,695.8	19,865.7
+–	Interest income (-) / Interest expense (+)		763.3	543.4
–	Dividend income		–565.8	–1,128.6
+	Interest received		191.5	351.5
–	Interest paid		–931.4	–1,047.8
+	Dividends received		565.8	1,128.6
–	Gain (+losses) from sale of property, plant and equipment and financial assets		–1,344.5	–1,702.0
+	Depreciation of tangible assets		11,597.0	10,206.4
+	Depreciation and impairment of intangible assets		7,007.3	7,186.1
–	Wirte-downs of financial investments		87.1	16.1
–	Increase (+decrease) of inventories		–5,667.8	–3,460.5
–	Increase (+decrease) of accounts receivables		2,987.3	–9,988.0
+	Increase (-decrease) of accounts payables and other liabilities		5,191.2	9,029.3
+	Increase (-decrease) of provisions		–81.5	757.0
–	Income tax paid		–10,392.5	–5,406.8
	Cash flow from operating activities	(22)	30,102.9	26,350.4
–	Disbursements for property, plant and equipment and intangible assets		–36,297.8	–21,632.3
–	Disbursements for financial investments		–400.0	–142.1
+	Proceeds from disposal of property, plant and equipment and intangible assets		6,330.2	1,138.8
+	Proceeds from disposal of financial investments		24.3	1,804.0
+	Proceeds from disposals of subsidiaries excl. liquid funds		0.0	–128.3
–	Disbursement for acquisition of subsidiaries excl. liquid funds		0.0	–83.5
	Cash flow from investment activities	(23)	–30,343.3	–19,043.4
–	Dividends paid		–4,693.0	–6,729.6
–	Disbursements to minority shareholders		–154.4	–77.5
–	Share buy-back		–434.4	–7,712.3
+–	Change in notes payables		–601.5	–137.8
+	Increase in financial debt		11,274.7	10,854.9
–	Redemption of financial debt		–1,635.9	–6,122.8
	Cash flow from financing activities		3,755.5	–9,925.1
+–	Cash flow from operating activities		30,102.9	26,350.4
+–	Cash flow from investment activities		–30,343.3	–19,043.4
+–	Cash flow from financing activities		3,755.5	–9,925.1
	Change in cash and cash equivalents		3,515.1	–2,618.1
+	Opening balance of cash and cash equivalents		14,286.6	17,583.0
+–	Effects of changes in exchange rates		152.9	–678.4
	Closing balance of cash and cash equivalents		17,954.6	14,286.6
	Composition of cash and cash equivalents	(15)		
	Cash-in-hand		107.1	134.1
	Bank balances, cheques		17,847.5	14,152.5
			17,954.6	14,286.6

V. BWT Group: Consolidated changes in equity

	Sub-scribed capital	Capital reserves	Revenue reserves			Own shares	Total to parent company	Minority interest	Total
			Accumu-lated earnings	Foreign currency translation	Financial asset available-for-sale				(17)
	T€	T€	T€	T€	T€	T€	T€	T€	T€
As at 31.12.2010	17,833.5	17,095.8	136,064.1	2,486.4	1,002.4	–11,245.4	163,236.8	634.7	163,871.5
Earnings for the period	0.0	0.0	13,590.1	0.0	0.0	0.0	13,590.1	186.4	13,776.5
Other earnings	0.0	0.0	288.0	–3.9	–544.9	0.0	–260.8	–9.7	–270.5
Total earnings for the period	0.0	0.0	13,878.1	–3.9	–544.9	0.0	13,329.3	176.7	13,506.0
Adjustments for acquisition of minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–210.9	–210.9
Dividends	0.0	0.0	–6,729.6	0.0	0.0	0.0	–6,729.6	–77.5	–6,807.1
Share buy-back 2011	0.0	0.0	0.0	0.0	0.0	–7,712.3	–7,712.3	0.0	–7,712.3
As at 31.12.2011	17,833.5	17,095.8	143,212.6	2,482.5	457.5	–18,957.7	162,124.1	523.0	162,647.2
Earnings for the period	0.0	0.0	14,511.6	0.0	0.0	0.0	14,511.6	–89.6	14,422.0
Other earnings	0.0	0.0	–3,855.2	619.7	–217.9	0.0	–3,453.4	–0.9	–3,454.3
Total earnings for the period	0.0	0.0	10,656.4	619.7	–217.9	0.0	11,058.2	–90.5	10,967.7
Acquisition of minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	–4,693.0	0.0	0.0	0.0	–4,693.0	–154.4	–4,847.4
Share buy-back 2012	0.0	0.0	0.0	0.0	0.0	–434.4	–434.4	0.0	–434.4
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	79.0	79.0
As at 31.12.2012	17,833.5	17,095.8	149,176.0	3,102.2	239.6	–19,392.1	168,054.9	357.1	168,412.1

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VI. Notes for 2012

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 46 subsidiaries and employed 2,726 employees as at 31 December 2012 (previous year: 2,689) employees (based on full-time equivalents).

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

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

All reporting for financial years 2012 and 2011 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 2012, the Group applied the new and revised IFRS standards and interpretations listed below:

- Amendment to IFRS 7 Financial Instruments: Disclosures Relating to the Transfer of Financial Assets, adopted on 22 November 2011, to be applied for financial years commencing after 1 July 2011.
- Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted on 11 December 2012, to be applied starting from 1 July 2011.
- Amendment to IAS 12 Income Taxes: Recovery of Underlying Assets, adopted on 11 December 2012, to be applied starting from 1 January 2012.

The newly applied standards and interpretations had no effect on the net assets, financial position and results of operations of the Group.

Published standards and interpretations which have not yet been applied

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

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, adopted on 5 June 2012, to be applied starting from 1 July 2012.
- Amendments to IAS 19: Employee Benefits, adopted on 5 June 2012, to be applied starting from 1 January 2013.
- IFRS 13: Fair Value Measurement, adopted on 11 December 2012, to be applied starting from 1 January 2013.
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine, adopted on 11 December 2012, to be applied starting from 1 January 2013.
- Amendments to IFRS 7: Offsetting Financial Assets and Financial Liabilities, adopted on 11 December 2012, to be applied starting from 1 January 2013.
- IFRS 10: Consolidated Financial Statements, adopted on 11 December 2012, to be applied starting from 1 January 2014.
- IFRS 11: Joint Arrangements, adopted on 11 December 2012, to be applied starting from 1 January 2014.
- IFRS 12: Disclosure of Interests in Other Entities, adopted on 11 December 2012, to be applied starting from 1 January 2014.
- IAS 27: Separate Financial Statements, adopted on 11 December 2012, to be applied starting from 1 January 2014.
- IAS 28: Investments in Associates and Joint Ventures, adopted on 11 December 2012, to be applied starting from 1 January 2014.
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, adopted on 11 December 2012, to be applied starting from 1 January 2014.

The Management Board assumes that the aforementioned standards will be applied starting from the consolidated financial statements that are provided for in the implementing regulation, and that the application of these standards 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. However, there may be an impact on presentation and disclosures. Since the significant plan assets in Switzerland were already calculated as having the same return expectations as the actuarial discount rate, no material impact is anticipated even with the amendments to IAS 19.

Scope of consolidation

As a result of full consolidation, the consolidated balance sheet as at 31 December 2012 includes 46 (previous year: 44) 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 and 2011, Christ Nishotech Water Systems Pte. Ltd. is recognised as "held-for-sale". Now that the reduction has been achieved, the remaining shareholding of 39% as at 31 December 2012 will be recognised under investments.

In the reporting year, one new subsidiary was founded in both Austria and the Seychelles respectively. A property management company was bought in Hungary in connection with the acquisition of the property near Budapest under the current lease. This does not constitute a business acquisition within the meaning of IFRS 3.

The scope of consolidation developed as follows in reporting year 2012:

As at 01.01.2012	45
Incorporated for the first time in the reporting year	3
Deconsolidated in the reporting year	–1
As at 31.12.2012	47

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 entire period are presented separately in the consolidated statement of comprehensive income and in the statement of comprehensive income.

Business combinations / disposals in 2012

No business combinations/disposals within the meaning of IFRS 3 took place in the reporting year.

Business combinations / disposals in 2011

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

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

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

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

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

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

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

Consolidation method

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

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

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

Intra-Group receivables and liabilities, expenses and income, as well as interim results, are eliminated. Intra-Group dividends are recognised at the payment rate.

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 two, 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 2012. 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	
	31.12.12	31.12.11	2012	2011
Swiss franc	1.21	1.22	1.20	1.23
Polish zloty	4.07	4.46	4.17	4.14
Hungarian forint	292.30	314.58	288.21	280.67
Czech krone	25.15	25.79	25.14	24.60
US dollar	1.32	1.29	1.29	1.40
Swedish krone	8.58	8.91	8.68	9.01
Danish krone	7.46	7.43	7.45	7.45
Norwegian krone	7.35	7.75	7.46	7.78
Chinese renminbi	8.22	8.16	8.15	9.03
Pound sterling	0.82	0.84	0.81	0.87
Ukrainian hryvnia	10.62	10.36	10.46	11.17
Russian ruble	40.33	41.77	40.11	41.04
Seychellois rupee	17.28	17.65	17.76	17.43

Accounting and valuation principles

Intangible assets and property, plant and equipment

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

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

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

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

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

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

Useful life in years	from	to
Intangible assets		
Software	3	5
Patents, trademark rights	5	15
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 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 stock exchange prices as at the balance sheet date.

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

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

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

Inventories

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

Receivables

Loans and receivables are non-derivative financial assets with defined or identifiable considerations not quoted on a market. In particular, these include trade receivables and considerations as well as other loans granted and receivables. Trade receivables as well as other current receivables carried as financial instruments are recognised at fair value for the first time. The subsequent valuation is at amortised cost, applying the effective interest rate method.

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

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

Receivables from construction contracts

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

Cash and cash equivalents

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

Government grants

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

Employee benefits

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

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

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

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

In accordance with IAS 19, in the case of pension provisions, provisions for similar obligations and severance pay obligations, actuarial gains and losses are recognised in other earnings of the statement of comprehensive income, whereas in the case of provisions for long-service bonus obligations, they are recognised in profit or loss through personnel expenses.

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

Provisions

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

Liabilities

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

Derivative financial instruments

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

Translation into functional currency

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

Revenue recognition

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

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

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

Taxes

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

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

Deferred tax assets and liabilities for financial year 2012 are based on the following tax rates:

Country	Tax rate	Country	Tax rate
Austria	25 %	Great Britain	23 %
Germany	28 %	Hungary	10 %
France	34 %	Ukraine	21 %
Italy	37 %	Czech Republic	19 %
Spain	30 %	Poland	19 %
Denmark	25 %	China	25 %
Sweden	22 %	Russia	20 %
Norway	28 %	Malta	35 %
Switzerland	21 %	Ireland	13 %
Seychelles	25 %		

The following tax rates were applied in financial year 2011:

Country	Tax rate	Country	Tax rate
Austria	25%	Great Britain	26%
Germany	28%	Hungary	10%
France	34%	Ukraine	23%
Italy	28%	Czech Republic	19%
Spain	30%	Poland	19%
Denmark	25%	China	25%
Sweden	26%	Russia	20%
Norway	28%	Malta	35%
Switzerland	21%	Irland	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 that influence the value of assets and liabilities as recognised in the balance sheet, the statement of other liabilities on the balance sheet date and the reporting of income and expenses for the reporting period. The actual amounts may deviate from these estimates. In particular, there are sources of estimation uncertainty in respect to determination of useful value in impairment tests (see Note 9) and the deferred tax liabilities, due to deviations from expected income in the future. Deferred tax assets are recognised for all unused tax loss carryforwards to the extent that it is probable that taxable income will be available in this regard (see Note 16). For the calculation of deferred tax assets which qualify for capitalisation, the financial planning of each Group company is assessed individually (time frame for tax planning being 3 to 5 years). Management judgement is the key factor for the expected timing and amounts of taxable income and future tax planning strategies.

Development costs are capitalised in keeping with the accounting policies described. The initial capitalisation of costs is based on the assessment of management that technical feasibility and commercial viability are demonstrable (see Note 9). In inventory measurement, the opinions of management regarding pricing and market trends are necessary to establish the amount of the values recognised (see Note 11). In the case of receivables, assumptions regarding the probability of default are necessary (see Note 12 and Note 24). In the case of POC receivables, the expected total costs per project are estimated in accordance with IAS 11. These estimations are reached by the respective project managers together with management in consideration of the development of costs. A project's percentage of completion is calculated from the estimates and from this the POC receivables position or, in the case of advance payments, POC liabilities (see Note 13).

Furthermore, the preparation of the consolidated annual financial statements requires the determination of future developments. For example, for the measurement of existing social capital obligations, assumptions are used in respect of the discount rate, retirement age, life expectancy and future salary and pension increases (see Note 18). 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 19). 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 lesseer

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

Segment reporting

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

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

The elimination column contains the consolidation entries for the individual segments. The internal management information system is based on the same values, which are used to prepare the consolidated annual financial statements.

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

The strong revenues upturn of 8% recorded in the Austria / Germany segment is primarily attributable to the substantial increase in revenues generated by Point of Use products and the growth achieved with series products for private households and commercial applications in Germany. The France / Benelux / UK segment achieved moderate revenues growth of 2.1%. The low propensity to invest, which is prevailing mainly in Belgium and the UK, and the tight public-sector budgets did not allow any significant upturns. Scandinavia managed to improve upon the good earnings achieved in the previous year by a further 11.5 %.

This was primarily driven by the export business of BWT HOH Denmark. The Italy / Spain segment was the most severely affected by the difficult market environment, and the BWT Group posted a drop in revenues of 3.7% here. The revenues of the Switzerland / Others segment were improved by a minimal 0.5% against the previous year. The growth in excess of 9% achieved by BWT Switzerland was diminished by a downturn in revenues in both China and Russia as a result of project settlement dates.

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

Segments of business regions

2012	Austria/ Germany T€	France/ Benelux/UK T€	Scandinavia T€	Italy/Spain T€	Switzerland/ Others T€	Elimination T€	Total T€
External sales	211,677.1	118,690.1	57,556.6	30,818.1	83,557.0		502,298.9
Internal sales	19,942.3	4,210.6	1,084.1	167.1	8,372.2	–33,776.3	0.0
Total	231,619.4	122,900.7	58,640.7	30,985.2	91,929.2	–33,776.3	502,298.9
Segment earnings (EBIT)	–2,644.9	4,630.7	8,596.8	2,670.5	8,971.4		22,224.5
Interest income	564.3	3.0	94.1	98.0	65.2	–480.7	344.0
Interest expense	–1,845.2	–373.3	–21.5	–138.7	–540.5	480.7	–2,438.5
Income from participations							565.8
Income taxes	235.9	–1,342.2	–2,220.1	–1,149.4	–1,798.0		–6,273.9
Minority interest							89.6
Annual results of the parent company shareholders							14,511.5
Earnings per share in €							0.87
Segment assets	184,277.0	64,667.4	28,231.2	21,662.9	95,072.3	–41,171.6	352,739.3
Segment liabilities	107,849.9	38,736.4	12,510.0	11,998.8	54,403.7	–41,171.6	184,327.2
Investments	23,998.8	2,020.0	529.7	118.1	10,292.4		36,959.1
Depreciation/ Amortisation	–8,601.2	–2,675.8	–669.7	–112.7	–2,607.5		–14,666.9
Impairment charges	–2,786.0				–1,149.7		–3,935.7

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

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 2012, the BWT Group's consolidated revenues exceeded the €500 million threshold for the first time, rising by €23.4 million against the previous year to €502.3 million, which equates to an increase of 4.9%.

The product segment that contributed the most to revenues, 70.9% (previous year: 72.1%), was once again the Point of Entry business. It generated €356.1 million in revenues, exceeding the previous year's figure of €345.6 million by 3.0%. The Point of Use business again posted strong growth rates in 2012 with revenues increasing by 20% to €41.8 million, thus accounting for 8.3% of the Group's total revenues (previous year: 7.3%). The revenues of the Service and Spare Parts business improved by 6.0% in 2012, moving from €98.5 million to €104.4 million and thus contributing 20.8% to the Group's total revenues (previous year: 20.6%).

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

The other operating income is as follows:

	2012 T€	2011 T€
Income from disposal of property, plant and equipment	1,414.9	2,395.3
Rental/leasing and licence income	784.9	1,062.6
Income from bonus/commission agreements	1,115.6	1,030.4
Income from insurance damages	467.3	418.2
Income from further charging of transportation costs	1,256.0	993.8
Income from further charging of services	1,001.6	1,324.3
Income from written-down receivables and impairment losses	40.6	148.4
Other income	227.3	1,112.5
	6,308.1	8,485.5

The item "Other income" also includes proceeds from the sale of raw materials and revenues from prior periods.

Capitalised labour, overheads and material amounting to T€664.3 (previous year: T€1,020.0) principally consist of development costs to be capitalised according to IFRS.

NOTE 3: Raw materials supplies and purchased merchandise

	2012 T€	2011 T€
Material expenses	183,152.8	173,310.3
Expenditure on services	18,724.9	17,859.9
	201,877.6	191,170.2

NOTE 4: Personnel expenses

	2012 T€	2011 T€
Wages	16,676.4	16,592.5
Salaries	111,272.9	105,607.2
Expenses for severance payments and pensions	3,122.1	3,499.9
Statutory social security contributions	29,180.5	28,162.6
Other social expenses	3,713.9	3,508.8
	163,965.8	157,371.0

Defined contribution employee-benefits expenses in financial year 2012 amounted to T€460.9 (previous year: T€399.2).

The average number of employees developed as follows:

	2012	2011
White collar workers	1,985	1,987
Blue collar workers	674	673
Apprentices	47	52
	2,706	2,712

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

	2012 T€	2011 T€
Scheduled depreciation/amortisation on property, plant and equipment and on other intangible assets	14,666.9	14,318.4
Impairment losses	3,935.7	3,074.1
	18,602.6	17,392.5

The impairment losses principally concern impairment of goodwill and extraordinary write-downs on buildings and intangible assets. The write-downs were mainly attributable to a changed situation on the market and new estimates of financial performance. In the previous year, impairment losses mainly included impairment of goodwill and amortisation of the Christ Aqua brand as sales activity was concentrated on the BWT brand in the Pharma business as well.

NOTE 6: Other operating expenses

	2012 T€	2011 T€
Advertising expenses incl. entertainment costs	21,768.7	18,413.9
Fleet and travel expenses	14,371.5	14,030.8
Freight and warehousing	12,414.7	11,632.2
External staff	6,406.1	5,958.9
Rental and leasing expenses	12,876.6	13,079.7
Consultancy costs	3,582.2	3,015.9
Office, postal and telephone expenses	4,826.9	4,986.9
Commissions	5,669.4	5,578.0
Licence expenses	359.2	403.2
Insurance	1,954.1	1,899.8
Maintenance	6,079.8	5,771.9
Energy and fuel	2,608.5	2,475.8
Risks on receivables	526.9	2,123.5
Other taxes and fees	3,126.6	2,917.9
Cleaning expenses	1,403.7	1,273.3
Banking charges and other third-party costs	1,169.8	1,260.8
Exchange rate difference	–102.2	253.8
Other	4,333.7	4,893.3
	103,376.2	99,969.6

In financial year 2012, expenditure on services provided by the Group auditors Ernst &Young Wirtschaftsprüfungsgesellschaft m.b.H. in Austria amounted to T€158.6 (previous year: T€158.9). Of this amount, T€127.5 (previous year: T€125.3) related to auditing costs and T€31.1 (previous year: T€33.6) 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

	2012 T€	2011 T€
Profit distributions from equity interests	565.8	1,128.6
Income from disposal of financial investments	0.0	247.9
Income from other securities	15.5	3.5
Other interest and similar Income	328.5	385.5
	909.8	1,765.5
Expenses from equity interests	0.0	737.3
Impairment losses of financial investments	95.9	16.1
Interest expense for social capital pursuant to IAS 19	1,235.4	1,185.6
Interest and similar expenses	1,107.2	1,695.4
	2,438.5	3,634.4

Financial income includes interest, dividends and similar income arising from the investing of financial resources and from investing in financial assets. The decline compared with the previous year can be explained by non-recurring income from profits of financial investments in the previous year and lower profit distributions. Under financial income, essentially T€662.7 are entered in the "available for sale" valuation category and T€197.3 in "loans and receivables".

Financial expenses cover interest incurred on loans and expenses similar to interest. In 2011, the expenses from equity interests comprised T€172.0 in subsequent purchase price adjustments for BWT Russia and expenses arising from the disposal of interests. Current interest expenses for financial liabilities declined by approximately T€56.9 year on year from 2011 to 2012 due to the lower interest rate. The decline in financial expenses is primarily owing to the absence of the expenses from equity interests and extraordinary events that ocurred in 2011 such as discounting on receivables and interest on tax arrears. Under financial income, T€95.9 are entered in the "available for sale" valuation category and T€0.0 in "loans and receivables" as well as T€1,062.5 in "liabilities at amortised cost".

NOTE 8: Income tax

The effective tax rate is approximately 30.3% for financial year 2012 and approximately 30.7% for financial year 2011.

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

	2012 T€	2011 T€
Actual income taxes:		
Actual tax expense	7,220.9	7,600.4
Corporate income tax for previous years	–27.1	429.9
Deferred income taxes:		
Changes in tax assets and liabilities	–919.9	–1,941.1
Tax expense disclosed in the income statement	6,273.9	6,089.2

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

	2012 T€	2011 T€
On actuarial gains/losses IAS 19	–1,311.2	187.2
On valuation of securities available for sale pursuant to IAS 39	–72.6	–181.6
Tax expense disclosed in Other earnings	–1,383.8	5.6

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:

	2012 T€	2011 T€
Earnings before taxes	20,695.8	19,865.7
Income tax expense at tax rate of 25% (previous year: 25%)	5,174.0	4,966.4
Different foreign tax rates	235.0	3.7
Tax-free income from equity interests	–119.6	–247.5
Effects of local tax rate changes	27.2	–3.1
Effect of non-recognised loss carryforwards	223.2	–38.0
Frist-time capitalization of previously non-recognised loss carryforwards	–78.5	19.1
Tax expense for previous years	–287.8	547.5
Adjustments of capitalised loss carryforwards	367.0	–
Permanent differences	733.4	841.1
Effective tax liability	6,273.9	6,089.2
Effective tax rate	30.3%	30.7%

The item "Permanent differences" principally includes non-deductible expenses.

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 is allocated to the cash generating units that are expected to profit from the synergies arising from the business combination and that represent the lowest level at which goodwill is monitored for internal management purposes.

In testing for impairment, the recoverable value of cash generating units or individual companies is calculated based on the calculation of useful life, applying cash flow forecasts. Cash flow forecasts are based on financial plans approved by the management for a period of three years. The short-term discount rate applied for cash flow forecasts is 7.08%, and for the terminal value 8.18% (2011: 7.57% / 8.18%). The discount rate is calculated on the basis of current market data for comparable companies operating in the same industry. Cash flows occurring after the period of three years are extrapolated assuming growth rates of between 1.0% and 2.0% (2011: 1.0% and 3.0%). A sensitivity analysis in which the discount rates were set at around 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 BWT 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 BWT France with T€7,319.9 (previous year: T€7,319.9). 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 €8.8 million (previous year: €7.4 million), of which T€550.3 (previous year: T€651.6) were capitalised.

The balance sheet item "Land and buildings" comprises property with a value of T€24,510.3 (previous year: T€21,382.9).

Mortgage collateral amounts to T€12,425.4 (previous year: T€12,339.6). Purchase commitments for major investment projects totalled T€18,800.7 (previous year: T€6,341.3) as at 31 December 2012. The increase can be attributed predominantly to the ongoing investment programmes at the Mondsee site and in Germany.

NOTE 10: Financial investments

	Book value 31.12.2012 T€	Book value 31.12.2011 T€
Investments	2,985.3	2,772.7
Securities	1,399.9	1,486.9
	4,385.2	4,259.6

Investments relate to equity interests held in the following companies:

Company	Interest	Book value 31.12.2012 T€	Book value 31.12.2011 T€
Nomura Micro Science Co. Ltd., Japan	3.50%	1,193.0	1,483.6
Wiener Börse AG, Austria	0.79%	274.6	274.6
Origе, France	8.85%	299.2	299.2
INET, Czech Republik	49.00%	214.4	214.4
Syclope, France	11.94%	140.5	140.5
Christ Nishotech Water Systems Pte. Ltd, India	39.00%	127.5	0.0
Others		736.1	360.4
		2,985.3	2,772.7

INET (equity as at 31 December 2011: CZK 19,688 thousand; annual earnings in 2011: CKZ 1,232 thousand) is carried at amortised cost since the company is managed independently by the 20% shareholder and BWT has no decisive influence over it. Christ Nishotech (equity as at 31 March 2012: INR 51,897 thousand; annual earnings from 1 April 2011 to 31 March 2012: INR 9,441 thousand) is carried at amortised cost since the majority shareholder is responsible for the company's management and BWT therefore has no decisive influence over it.

The securities comprise the following:

	31.12.2012 T€	31.12.2011 T€
Fund participations	412.3	399.4
Other securities	987.5	1,087.5
	1,399.9	1,486.9

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

NOTE 11: Inventories

	2012 T€	2011 T€
Raw materials and supplies	27,679.6	26,394.1
Unfinished goods	12,007.4	9,321.8
Finished goods and products	34,123.1	31,764.0
Services not yet invoiced	777.1	1,106.1
Prepayments	1,007.0	1,340.5
Total	75,594.2	69,926.5

In the consolidated statement of comprehensive income, the valuation allowances on inventories are expensed in the amount of T€399.6 (previous year: T€280.1).

NOTE 12: Receivables and other assets

2012	Total T€	of which current T€	of which non-current T€
Trade receivables	67,407.9	67,407.9	–
Receivables from construction contracts	12,393.6	12,393.6	–
Income tax assets	929.9	929.9	–
Other third-party receivables	9,373.6	8,105.5	1,268.0
Total	90,105.0	88,836.9	1,268.0

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

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
2012	70,656.0	51,725.5	3,978.5	10,965.1	1,101.0	2,885.9
2011	75,138.5	54,488.0	3,159.2	12,418.9	1,739.3	3,333.1

Change of impairment losses on trade receivables:

	2012 T€	2011 T€
Start of year	3,467.0	3,004.9
Impairments of receivables	890.9	1,931.6
Amounts written down due to uncollectability	–328.9	–129.0
Amounts from receivables written down received during the financial year	–225.7	–57.9
Impairment losses	–552.3	–1,178.5
Accrued interest	–2.9	–104.1
End of year	3,248.1	3,467.0

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 2012, trade receivables were impaired to T€3,248.1. 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.

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

NOTE 13: Receivables from construction contracts

Information regarding construction contracts	2012 T€	2011 T€
Contract revenues in the financial year	45,556.9	42,249.0
Cumulative costs until 31.12.	51,774.4	43,722.5
Cumulative profits realized until 31.12.	9,840.5	8,999.5
Cumulated losses realized until 31.12.	238.0	860.8
Prepayments received	53,373.2	47,028.2

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

Construction contracts with debit balances in relation to customers amounted to T€4,053.0 (previous year: T€6,478.7).

NOTE 14: Assets held for sale

Since 31 December 2009, one company consolidated at equity was included in the consolidated financial statements. In the fourth quarter of 2010, BWT decided to reduce successively its shareholding in Christ Nishotech Water Systems Pte. Ltd, Mumbai, India, and sell it on to its Indian partner. As at 31 December 2010 and 2011, the company consolidated at equity was recognised as "held-for-sale". Now that the reduction has been achieved, the remaining shareholding of 39% as at 31 December 2012 is recognised under investments.

NOTE 15: Cash and cash equivalents

	31.12.2012 T€	31.12.2011 T€
Bank balances	17,256.3	13,690.0
Cash at hand	107.1	134.1
Cheques	591.2	462.5
Total = cash and cash equivalents (net) in the cash flow statement	17,954.6	14,286.6

NOTE 16: Tax accruals/deferrals

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

	31.12.2012 T€	31.12.2011 T€
Deferred tax assets:		
Social capital provisions	3,526.0	2,232.8
Deferred tax claims arising from tax loss carryforwards	6,761.2	4,833.6
Various tax write-downs of non-current assets	1,331.4	1,577.5
Non-tax deductible provisions	760.3	730.0
Other (temporary valuation differences)	299.2	542.4
Deferred tax claims	12,678.2	9,916.3
Deferred tax liabilities:		
Capitalized R&D	961.3	963.5
Various tax write-downs of property, plant and equipment and immaterial assets	232.7	210.7
Revaluation of financial assets available for sale	1,151.7	1,224.3
Various taxation of land property	659.9	675.5
Differences due to production orders (POC)	1,422.3	1,003.2
Revaluation of assets within the framework of acquisition price assignment	253.8	321.5
Other (temporary valuation differences)	677.2	502.0
Deferred tax liabilities	5,358.9	4,900.7
Deferred tax assets/(liabilities)	7,319.3	5,015.6
Recorded as follows in the balance sheet:		
Deferred tax claims	8,634.5	6,871.3
Deferred tax liabilities	–1,315.2	–1,855.7
Deferred tax assets/(liabilities)	7,319.3	5,015.6

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€6,761.2 (previous year: T€4,833.6) were capitalised as these are expected to be netted against future taxable profits. For deferred taxes on existing losses carried forward, any time limitation regarding the use of loss carryforwards was accounted for in the respective countries. Moreover, loss carryforwards for which no deferred tax claims were stated amount to T€4,158.1 (previous year: T€3,226.0), thereof T€1,788.0 forfeiting in 15 years.

NOTE 17: 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.

Aquivest GmbH, a company indirectly controlled by WAB Privatstiftung, submitted a public mandatory offer in accordance with sections 22 et seq. of the Übernahmegesetz (ÜbG – Austrian Takeover Act) for shares in BWT Aktiengesellschaft in addition to its preceding legal entities (section 1 line 6 ÜbG). WAB Privatstiftung is a private trust within the meaning of the ÜbG that is controlled by Andreas Weißenbacher, the longstanding CEO of BWT AG. After the acceptance period of the public mandatory offer, which ran from 19 October to 6 November 2012, ended, the bidder (Aquivest GmbH/WAB Privatstiftung) held a total of 10,580,889 shares equating to around 59.33% of the total share capital of BWT AG. When the three-month obligatory extension period ended on 8 February 2013, the shareholdings of the Aquivest GmbH/WAB Privatstiftung bidder group had increased to 13,136,688. For the shareholder structure of BWT AG, this means that the Aquivest GmbH/WAB Privatstiftung bidder group holds around 73.66 % of BWT AG's total share capital and around 20.32 % of BWT AG's total share capital is widely held. The remaining 6.02 % are BWT AG treasury shares. As at 31 December 2012, BWT AG had purchased a total of 1,072,898 company shares in the course of its share buy-back programme. The free float is held by Austrian and international investors. BWT's shares are listed on the 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, which will end on 30 April 2013.

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

The revenue reserves include retained profits, the cumulative other earnings comprising other earnings (actuarial gains/losses and valuation of securities less taxes) and currency translation differences.

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

The resolutions of the Annual General Meetings of 24 May 2007, 20 May 2008, 26 May 2010 and 24 May 2012 authorised the Management Board to buy back the company's own shares. Between 2008 and 2012, the Management Board exercised this right by conducting a total of four programmes. Between 13 April 2012 and 16 May 2012, 33,559 shares were acquired. Between 17 March 2011 and 7 December 2011, 396,226 shares were acquired. Between 18 February 2010 and 22 March 2010, 243,256 shares were acquired. On 10 February 2009, 75,000 shares and between 20 November 2009 and 21 December 2009, 12,438 shares were acquired. Between 11 April 2008 and 20 May 2008, 39,404 shares and between 28 August 2008 and 18 November 2008, 273,015 shares were acquired. In total, 1,072,898 treasury shares (equivalent to 6.0% of the share capital) were thus acquired at a cost of €19,392,038.59. The weighted purchase price was thus €18.07 per share.

A dividend payment was distributed for outstanding shares in financial year 2012 amounting to T€4,693.0 (previous year: T€6,729.6), which corresponds to €0.28 per share (previous year €0.40).

NOTE 18: 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	2012	2011
Actuarial discount rate Eurozone	3.75%	5.00%
Actuarial discount rate Switzerland	2.00%	2.50%
Wage/salary trend Eurozone	3.00%	3.00%
Wage/salary trend Switzerland	1.50%	1.50%
Pension trend	0.00% – 2.90%	0.00% – 2.00%
Expected return on plan assets Switzerland	2.00%	2.50%
Expected return on plan assets Eurozone	3.50%	2.80% – 3.80%

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

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

in T€	2012 Without plan assets	2012 With plan assets	2012 Total	2011 Without plan assets	2011 With plan assets	2011 Total
Present value of the pension obligations as at 1 January	17,292.6	32,076.8	49,369.4	18,478.3	27,921.8	46,400.1
Change in scope of consolidation	0.0	0.0	0.0	–22.6	0.0	–22.6
Expenses arising from time in service	97.3	1,275.5	1,372.8	107.9	1,127.6	1,235.5
Contributions of participants in the plan	0.0	3,348.6	3,348.6	0.0	3,748.4	3,748.4
Interest expenses	843.4	678.1	1,521.5	811.9	721.7	1,533.7
Pension payments	–1,121.9	–3,379.7	–4,501.6	–1,112.4	–3,575.6	–4,688.0
Actuarial profits/losses	2,508.7	110.7	2,619.4	–970.5	1,011.8	41.2
Exchange rate differences	0.0	201.6	201.6	0.0	1,121.1	1,121.1
Present value of pension obligations as at 31 December	19,620.1	34,311.5	53,931.6	17,292.6	32,076.8	49,369.4
Plan assets	0.0	–29,017.8	–29,017.8	0.0	–28,434.9	–28,434.9
Provisions for pensions	19,620.1	5,293.7	24,913.8	17,292.6	3,641.9	20,934.5

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€2,670.9 (previous year: T€2,340.5) if the actuarial discount rate went up by 50 basis points and increase T€2,953.3 if the actuarial discount rate went down by 50 basis points (previous year: T€2,457.4).

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

in T€	2012	2011
Fair value of plan assets as at 1st January	28,434.9	25,008.5
Expected yield	679.0	713.2
Employer contributions	1,354.5	1,246.2
Contributions of participants in the plan	3,348.6	3,748.4
Benefits paid out	–3,379.7	–3,401.4
Actuarial profits/losses	–1,601.2	375.8
Currency differences	181.7	744.0
Fair value of plan assets as at 31 December	29,017.8	28,434.9

The actual yield for the plan assets is the expected yield plus actuarial gains and losses. Employer contributions estimated for the next financial year are expected to have a similar value to those paid in financial year 2012.

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

in T€	2012	2011	2010	2009	2008
Present value of defined contribution-based obligations	53,931.5	49,369.4	46,400.1	36,073.5	31,603.0
Fair value of plan assets	29,017.8	28,434.9	25,008.5	19,135.0	15,959.0
Actuarial profits/losses of plans	24,913.7	20,934.5	21,391.5	16,938.5	15,644.0
Adjustments of DBO on the basis of experience	480.5	–403.2	4,450.1	976.7	–1,763.2
Adjustments of plan assets on the basis of experience	–1,601.2	375.8	562.6	–111.7	61.4

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

The accumulated actuarial gains and losses relating to pension and severance pay provisions in other earnings amount to T€ -8,305.1 (previous year: T€ -4,449.9) after taxes.

PROVISIONS FOR SEVERANCE PAYMENTS

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

Biometric calculation bases	2012	2011
Acturial discount rate	3.75%	5.00%
Wage/salary trend	3.00%	3.00%

The expected yield of the plan assets was calculated with an interest rate of 3.50%. Retirement age was established on the basis of the legal provisions in force in the individual countries. A turnover rate of between 0.0% and 15.3% 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:

	2012			2011		
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	4,813.4	2,167.7	6,981.1	5,447.9	2,003.4	7,451.3
Change in scope of consolidation	0.0	0.0	0.0	–192.6	45.7	–146.8
Expenses arising from time in service	279.8	143.5	423.3	268.0	142.9	410.9
Interest expense	238.4	112.7	351.2	233.1	95.3	328.4
Severance payments	–983.4	–45.7	–1,029.0	–731.2	–25.4	–756.6
Actuarial profits/losses	778.7	236.0	1,014.7	–211.8	–94.2	–306.1
Present value of obligations (DBO) as at 31st December	5,127.0	2,614.2	7,741.3	4,813.4	2,167.7	6,981.1
Plan assets	0.0	–594.3	–594.3	0.0	–586.4	–586.4
Provisions for severance payments	5,127.0	2,020.0	7,147.0	4,813.4	1,581.3	6,394.8

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€396.3 (previous year: T€351.8) if the actuarial discount rate went up by 50 basis points and increase T€429.8 if the actuarial discount rate went down by 50 basis points (previous year: T€377.6).

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

	2012 T€	2011 T€
Fair value of plan assets as at 1st January	586.4	582.9
Expected yield	20.5	20.4
Benefits paid-out	0.0	0.0
Actuarial gains and losses	–12.6	–16.9
Fair value of plan assets as at 31st December	594.3	586.4

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 2012.

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

	2012 T€	2011 T€	2010 T€	2009 T€	2008 T€
Present value of contribution based obligation	7,741.3	6,981.1	7,451.3	6,928.1	6,270.7
Fair value of plan assets	594.3	586.4	582.9	605.6	565.5
Actuarial profits/losses of plans	7,147.0	6,394.7	6,868.4	6,322.5	5,705.2
Adjustments to DBO on the basis of experience	202.6	75.6	108.0	172.1	283.3

No adjustments have been made to plan assets on the basis of experience in the 5 years. In 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:

Biometrische Rechnungsgrundlagen	2012	2011
Discount rate	3.75%	5.00%
Wage/salary trend	3.00%	3.00%

Retirement age was established on the basis of the legal provisions in force in the individual countries. A turnover rate of between 0.0% and 15.3% was selected, depending on age.

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

	2012 T€	2011 T€
Present value of obligations (DBO) on 1.1.	1,229.1	1,243.1
Service costs	112.5	117.6
Interest expense	62.3	57.2
Anniversary bonus payments	–99.1	–102.6
Actuarial gains/losses	67.6	–86.2
Present value of obligations (DBO) on 31.12.	1,372.4	1,229.1

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

In a sensitivity analysis calculation, the provision for anniversary bonuses would decrease T€57.6 (previous year: T€50.4) if the actuarial discount rate went up by 50 basis points and increase T€63.1 if the actuarial discount rate went down by 50 basis points (previous year: T€54.3).

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

	2012 T€	2011 T€	2010 T€	2009 T€	2008 T€
Present value of defined benefit obligations	1,372.4	1,229.1	1,243.1	1,075.3	957.2
Experience-based adjustments to DBO	–36.6	105.3	–46.5	–0.5	–35.5

In 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 19: Other provisions

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

2012	01.01.2012 T€	Change in scope of consolidation T€	Currency difference T€	Utilisation T€	Release T€	Addition T€	31.12.2012 T€	of which non-current T€
Guarantees	3,818.9	0.0	9.2	2,969.4	108.9	3,217.3	3,967.1	501.5
Bonuses, rebates	1,433.7	0.0	4.1	1,613.8	0.0	2,254.7	2,078.7	0.0
Annual financial statement costs	389.8	0.0	1.5	378.7	7.6	411.7	416.7	0.0
Litigation	234.3	0.0	0.6	142.5	59.2	194.7	227.9	0.0
Events causing damage	569.4	0.0	0.1	302.0	20.0	246.9	494.5	0.0
Other	4,676.5	0.0	10.7	3,155.7	360.0	2,976.3	4,147.8	1,100.5
	11,122.7	0.0	26.2	8,562.2	555.7	9,301.7	11,332.7	1,602.0

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

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

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

NOTE 20: Liabilities

2012	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)	41,007.7	17,330.7	23,677.0	0.0	12,425.4
Trade liabilities	42,231.2	42,231.2	0.0	0.0	0.0
Other liabilities	49,316.5	48,214.0	1,102.5	0.0	0.0
Of which					
Payments on account	10,686.2	10,686.2	0.0	0.0	0.0
Liabilities from acceptance of bills of exchange drawn and from own bills of exchange issued	1,186.0	1,186.0	0.0	0.0	0.0
Other liabilities	37,444.2	36,341.7	1,102.5	0.0	
	132,555.4	107,775.9	24,779.5	0.0	12,425.4
Existing interest payment obligations for interest-bearing financial liabilities	1,702.6	632.4	1,070.2	0.0	0.0
Non-discounted liabilities in accordance with IFRS 7.39 (a) (b)	134,258.0	108,408.3	25,849.7	0.0	12,425.4

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

Other liabilities include other tax liabilities of T€8,504.3 (previous year: T€7,855.9) and other social security liabilities of T€3,475.0 (previous year: T€2,940.5).

Collateral in rem mainly consists of mortgage rights.

NOTE 21: Other liabilities and contingent 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:

2012	T€
2013	10,853.9
2014-2017	13,881.0
thereafter	335.4

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

Total rent and leasing expenses in the financial year amounted to T€12,876.6 (previous year: T€13,079.7).

No significant finance lease agreements were concluded.

WARRANTIES AND GUARANTEES

The company has assumed the customary warranties and guarantees in its business operations.

Furthermore, in 2009 an undertaking to purchase a property with a preliminary purchase price of approximately T€770.0 was signed. This became groundless in 2012 with the purchase of the Hungarian property.

As at the balance sheet date, it is unlikely that claims will be made under all of the 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 or disposals were eliminated and are detailed in the items "Payments for the acquisition of subsidiaries less acquired cash and cash equivalents" and "Proceeds from the disposal of subsidiaries less disposed cash and cash equivalents". The cash flow statement distinguishes between operating, investing and financing activities.

NOTE 22: 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€30,102.9 (previous year: T€26,350.4) include changes in working capital.

NOTE 23: Cash flow from investing activities

At the balance sheet date, there are outstanding liabilities for investments in property, plant and equipment, intangible assets and financial assets amounting to T€2,749.2 (previous year: T€2,694.2).

At the balance sheet date, there are outstanding receivables for the disposal of property, plant and equipment, intangible assets and financial assets amounting to T€0.0 (previous year: T€3,543.9).

NOTE 24: 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€29.3 lower (previous year: T€3.8 higher). If interest rates were 50 basis points lower, and all other variables remained constant, interest income would be T€29.3 higher (previous year: T€3.8 lower). The tested interest rate fluctuations have no direct impact on equity.

Exchange rate risks

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

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

Impact on 2012 EBIT	Increase 5% in T€	Decrease 5% in T€
EUR/CHF exchange rate	235.7	–260.6
EUR/USD exchange rate	–91.2	100.8
EUR/PLN exchange rate	–50.7	56.0

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

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. The BWT Group's investment strategy is orientated towards cooperating with financial partners of impeccable credit standing.

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

Non-discounted cash flow is detailed in Note 20.

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

In line with standard market practices, the BWT Group 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, for example by obtaining company information from reputable agencies.

Default risk management
The BWT Group has trade receivables from a large number of customers distributed across various industries and regions. Credit assessments regarding the financial status of the receivables are carried out on an ongoing basis. Default insurance is taken out where appropriate. The default risk is limited to the recognised amount. As at 31 December 2012, the total of the five largest balances of outstanding receivables from individual customers amounted to T€5,506.7, equating to 8.2% of outstanding trade receivables. As at 31 December 2011, that figure was T€5,299.9, or 7.4%. Receivables from affiliated companies were not included in this figure, as made clear in Note 25.

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 impact of potential default of receivables on the Group's earnings is regarded as low because the creditworthiness of new and existing customers is continually monitored and no more than 5% of total receivables are outstanding from any one customer.

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

Due to the decentralised character of the 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

2012 in T€	Book value as at 31.12.2012	Loans and receivables	Liabilities at amortised cost	Available for sale	Held for trading purposes	Book value of financial instruments as at 31.12.2012	Not financial-instrument
Non-current assets							
Financial investments	4,385.2	0.0	0.0	4,385.2	0.0	4,385.2	0.0
Other receivables from third parties	1,268.0	1,268.0	0.0	0.0	0.0	1,268.0	0.0
Current assets							
Trade receivables	67,407.9	67,407.9	0.0	0.0	0.0	67,407.9	0.0
Other receivables from third parties	8,105.5	3,297.8	0.0	0.0	24.7	3,322.5	4,783.0
Cash & Cash equivalents	17,954.6	17,954.6	0.0	0.0	0.0	17,954.6	0.0
Non-current liabilities							
Interest-bearing financial liabilities	23,677.0	0.0	23,677.0	0.0	0.0	23,677.0	0.0
Other liabilities	1,102.5	0.0	1,102.5	0.0	0.0	1,102.5	0.0
Current liabilities							
Interest-bearing financial liabilities	17,330.7	0.0	17,330.7	0.0	0.0	17,330.7	0.0
Trade liabilities	42,231.2	0.0	42,231.2	0.0	0.0	42,231.2	0.0
Other liabilities	48,214.0	0.0	8,340.9	0.0	19.3	8,360.2	39,853.8

The fair value of financial instruments reflects the carrying amounts as at 31 December 2012. An exception to this are interest-bearing financial liabilities for which the fair value is T€41,460.0 (carrying amount T€41,007.7).

2011 in T€	Book value as at 31.12.2011	Loans and receivables	Liabilities at amortised cost	Available for sale	Held for trading purposes	Book value of financial instruments as at 31.12.2011	Not financial-instrument
Non-current assets							
Financial investments	4,259.6	0.0	0.0	4,259.6	0.0	4,259.6	0.0
Other receivables from third parties	1,203.3	1,203.3	0.0	0.0	0.0	1,203.3	0.0
Current assets							
Trade receivables	71,671.5	71,671.5	0.0	0.0	0.0	71,671.5	0.0
Other receivables from third parties	11,975.7	8,433.1	0.0	0.0	40.6	8,473.7	3,502.0
Cash & Cash equivalents	14,286.6	14,286.6	0.0	0.0	0.0	14,286.6	0.0
Non-current liabilities							
Interest-bearing financial liabilities	23,312.4	0.0	23,312.4	0.0	0.0	23,312.4	0.0
Other liabilities	1,334.1	0.0	1,334.1	0.0	0.0	1,334.1	0.0
Current liabilities							
Interest-bearing financial liabilities	8,056.7	0.0	8,056.7	0.0	0.0	8,056.7	0.0
Trade liabilities	39,340.8	0.0	39,340.8	0.0	0.0	39,340.8	0.0
Other liabilities	44,376.9	0.0	6,930.0	0.0	43.1	6,973.1	37,403.8

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

Fair Value

Disclosures regarding fair value of financial instruments

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

Fair Value hierarchy

2012	Level 1 T€	Level 2 T€	Level 3 T€	Total T€
Non-current assets				
Financial investments	1,605.4	0.0	0.0	1,605.4
Current assets				
Other receivables from 3rd parties	0.0	24.7	0.0	24.7
Current liabilities				
Other liabilities	0.0	19.3	0.0	19.3

2011	Level 1 T€	Level 2 T€	Level 3 T€	Total T€
Non-current assets				
Financial investments	1,883.0	0.0	0.0	1,883.0
Current assets				
Other receivables from 3rd parties	0.0	40.6	0.0	40.6
Current liabilities				
Other liabilities	0.0	43.1	0.0	43.1

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.

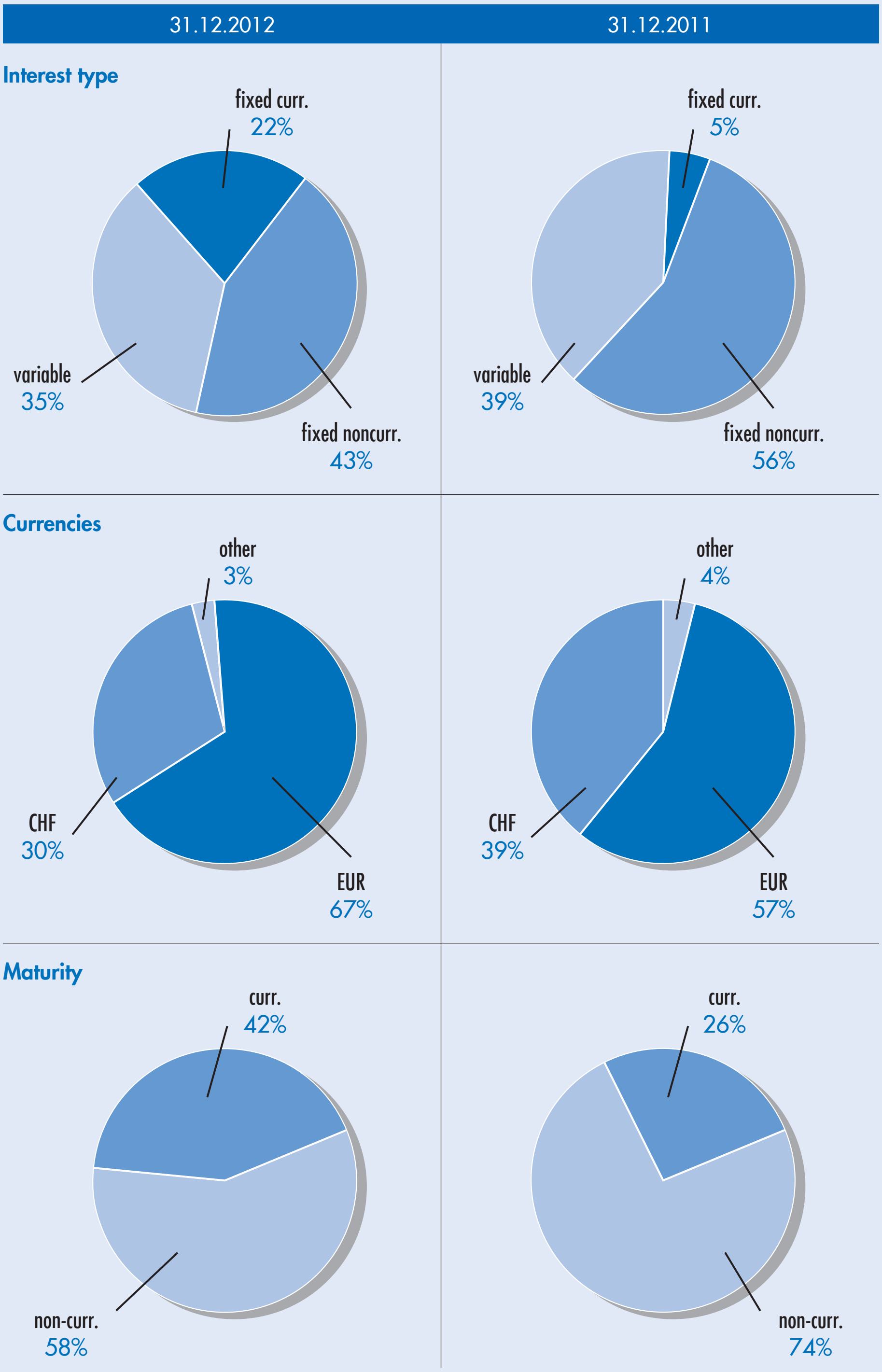
Net debt

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

	31.12.2012 T€	31.12.2011 T€
Interest-bearing financial liabilities	41,007.7	31,369.1
less cash and cash equivalents	–17,954.6	–14,286.6
Net debt	23,053.1	17,082.5
Equality capital	168,412.1	162,647.2
Net debt in relation to equity	13.7%	10.5%

Interest-bearing financial liabilities

The effective interest rate on the interest-bearing liabilities at a total of T€41,007.7 (previous year: T€31,369.1) was 2.01% (previous year: 2.71%) at the balance sheet date and can be broken down as follows:



Derivative financial instruments

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

	Currency	31.12.2012 Nominal amount T€	31.12.2012 Market value T€	31.12.2011 Nominal amount T€	31.12.2011 Market value T€
Purchase of CHF futures against EUR	TCHF	3,250.0	2.4	2,085.4	14.8
Sale of CHF futures against EUR	TCHF	6,000.0	10.9	4,369.0	–11.6
Purchase of SEK futures against EUR	TSEK	8,000.0	7.9	10,000.0	18.1
Purchase of USD futures against EUR	TUSD	2,213.1	–13.0	600.0	3.9
Sale of USD futures against EUR	TUSD	135.0	1.2	1,046.0	–27.7
Purchase of GBP futures against EUR	TGBP	260.0	1.5	0.0	0.0
Sale of USD futures against GBP	TUSD	459.5	–5.6	0.0	0.0

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 25: Related party disclosures

In 2012, the BWT Group received materials and services from affiliated companies and persons totalling T€938.4 (previous year: T€973.5) and provided affiliated companies and persons with materials and services amounting to T€4,620.9 (previous year: T€3,298.1). As at 31 December 2012, the BWT Group's receivables from affiliated companies and persons amounted to T€290.7 (previous year: T€198.1) and its liabilities amounted to T€198.5 (previous year: T€3.3). Transactions with other affiliated companies and persons were carried out on normal regular market terms.

Liability was assumed for loans totalling T€500.0 for two managing directors of a subsidiary on normal market terms. As at 31 December 2012, liability was down to T€325.9.

Total remuneration of Management Board members at BWT AG mainly consisted of short-term benefits and amounted in the financial year to T€737.9 (previous year: T€832.9). No payments were made to former members of the Management Board or to the survivors of such former members.

NOTE 26: Other information

Material events after the balance sheet date

No other 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€55.0 (previous year: T€55.0) in financial year 2012. 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 2012:

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

The Supervisory Board consisted of the following members in the financial year 2012:

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

Earnings per share

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

	2012	2011
Annual earnings in T€ attributable to shareholders of the parent company	14,511.6	13,590.1
Weighted number of shares in circulation	16,771,902	16,901,626
Earnings per share in €	0.87	0.80

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 2012, drawn up in accordance with Austrian accounting regulations, provide the basis for the payment of dividends.

The Management Board proposes the following profit distribution to the Annual General Meeting of Shareholders to be held on 23 May 2013:

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

The consolidated financial statements as at 31 December 2012, drawn up in accordance with IFRS, were approved by the Management Board on 19 February 2013.

Mondsee, 19 February 2013

Andreas Weissenbacher
CEO

Gerhard Speigner
CFO

Overview of the material participations

As of December 31 2012, the scope of consolidation comprises the following companies:

Abbreviation	Company, location	Total in %	Indirectly in %	via	Consoli-dation
BWT AG	BWT Aktiengesellschaft, Mondsee				
BWT AT	BWT Austria GmbH, Mondsee	100.000%			F
Manufactur	Manufactur für Glas und Spiegel GmbH, Villach	100.000%	100.000%	BWT AT	F
BWT Pool AT	BWT Pool & Water Technology GmbH	100.000%			F
AS BET	Aqua Service Beteiligungen GmbH, Mondsee	100.000%			F
IAM	IAM - Immobilien Asset Management GmbH, Mondsee	100.000%	100.000%	AS Bet	F
BWT GS	BWT Group Services GmbH, Mondsee	100.000%	100.000%	AS Bet	F
WTA	WTA - Wassertechnischer Anlagenbau Plauen GmbH, Plauen	100.000%	100.000%	BWT AT	F
BWT MT Hold	BWT Malta Holdings Ltd., Msida	100.000%	100.000%	BWTGS	F
BWT Int Trad	BWT International Trading Ltd, Msida	100.000%	100.000%	BWT MT Hold	F
Arcana	Arcana Pool Systems Gmbh, Gerasdorf	100.000%			F
BWT DE	BWT Wassertechnik GmbH, Schriesheim	100.000%			F
Fuma Tech	FuMA-Tech GmbH, St. Ingbert	100.000%	100.000%	BWT DE	F
W+M AT	BWT water + more GmbH, Mondsee	100.000%			F
W+M DE	BWT water+more Deutschland GmbH, Wiesbaden	100.000%	100.000%	BWT DE	F
W+M IT	BWT WATER & MORE ITALIA S.R.L., BERGAMO	100.000%	99.800%	W+M DE	F
			0.200%	CCI	F
W+M ES	BWT water and more Ibérica S.L., Barcelona	100.000%	99.800%	W+M DE	F
			0.200%	CILSP	F
BWT HU	BWT Hungária KFT, Budaörs	93.000%			F
Mimo	Mimo Park Kft, Budaörs	74.000%			F
hobbypool	hobby-pool technologies GmbH, Goßzöberitz	100.000%	100.000%	BWT DE	F
BWT BE	BWT Belgium NV/SA, Zaventem	100.000%	100.000%	BWT DE	F
BWT FR	BWT France S.A.S., St. Denis	100.000%			F
BWT Aqua	BWT AQUA AG, Aesch	100.000%			F
BWT Int AG	BWT International AG, Aesch	100.000%			F
CCI	Cillichemie Italiana S.R.L., Mailand	100.000%			F
Cilit ES	Cilit S.A., Barcelona	100.000%	100.000%	CCI	F
BWT PL	BWT Polska Sp.z o.o., Warschau	100.000%			F
BWT UA	BWT Ukraine, Kiev	99.800%	99.800%	BWT PL	F
BWT CZ	BWT Česka Republika s.r.o., Prag	100.000%			F
BWT DK	BWT HOH A/S, Greve	100.000%			F
BWT SC	BWT (Seychelles) Limited, Victoria	100.000%	99.000%	BWT DK	F
			1.000%	BWT SE	F
BWT SE	BWT Vattenteknik AB, Malmö	100.000%	100.000%	BWT SE	F
BWT NO	BWT Birger Christensen AS, Rud	100.000%	100.000%	BWT DK	F
BWT FI	BWT Separtec OY, Raisio	100.000%	100.000%	BWT DK	F
BWT CN	BWT Water Technology (Shanghai) Co. Ltd.	100.000%			F
BWT NL	BWT Nederland BV, Zoeterwoude	100.000%			F
BWT RU	OOO BWT, Moskau	80.000%			F
BWT UK	BWT UK Limited, High Wycombe	100.000%			F
PLS Hold	P & LS Holding GmbH, Mondsee	100.000%			F
Pharma DE	BWT Pahrma & Biotech GmbH, Vaihingen	100.000%	100.000%	PLS Hold	F
Pharma CH	BWT Pharma & Biotech AG, Aesch	100.000%			F
Pharma SE	BWT Pharma & Biotech AB, Malmö	100.000%	100.000%	PLS Hold	F
BWT IE	Best Water Technology (Ireland) Ltd., Ashbourne	100.000%	100.000%	PLS Hold	F
Pharma CN	Christ Aqua Pharma & Biotech (Shanghai) Ltd., Shanghai	100.000%	100.000%	PLS Hold	F

F = fully consolidated

Development of fixed assets (Appendix V.2.)

2012 in T€	ACQUISITION/PRODUCTION COST						
	1.1.2012	Currency difference	Reclassi-fication	Initial consoli-dation	Additions	Disposals	31.12.2012
Intangible assets	92,202.2	47.8	659.3	–	2,020.5	5,346.3	89,583.6
Goodwill	37,955.9	–	–	–	–	4,292.8	33,663.1
Other intangible assets	54,246.4	47.8	659.3	–	2,020.5	1,053.5	55,920.5
Concessions, rights, licenses	40,160.4	46.1	659.3	–	1,470.2	773.9	41,562.1
Development costs	14,086.0	1.7	–	–	550.3	279.6	14,358.4
Tangible assets	173,252.4	779.4	–659.3	–	34,411.2	6,941.1	200,842.5
Land and Buildings	85,531.9	460.4	3,739.0	–	11,572.5	2,176.2	99,127.6
Land	21,382.9	96.5	382.3	–	3,262.7	614.0	24,510.3
Buildings	64,149.0	363.9	3,356.7	–	8,309.8	1,562.2	74,617.3
Technical equipment and machinery	40,698.9	45.6	1,652.1	–	2,906.6	647.0	44,656.1
Factory and office equipment	39,362.2	272.5	537.2	–	4,707.0	4,118.0	40,760.9
Prepayments and construction in progress	7,659.4	0.8	–6,587.5	–	15,225.2	–	16,297.9
TOTAL	265,454.6	827.2	–	–	36,431.7	12,287.4	290,426.1

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

AMORTIZATION/DEPRECIATION							BOOK VALUE	
1.1.2012	Currency difference	Reclassi-fication	Initial consoli-dation	Depre-ciations	Disposals	31.12.2012	31.12.2012	31.12.2011
41,030.0	34.7	–	4,299.5	2,706.1	5,344.5	42,725.9	46,857.7	51,172.2
6,954.8	–	–	–	2,011.9	4,292.8	4,673.9	28,989.2	31,001.1
34,075.2	34.7	–	4,299.5	694.2	1,051.7	38,052.0	17,868.5	20,171.2
23,345.8	33.0	–	3,516.7	694.2	772.1	26,817.6	14,744.6	16,814.6
10,729.4	1.7	–	782.8	–	279.6	11,234.4	3,124.0	3,356.6
85,210.1	326.6	–	10,367.3	1,229.7	5,499.4	91,634.4	109,208.1	88,042.2
27,576.0	84.5	5.0	2,724.3	1,229.7	1,048.4	30,571.1	68,556.5	57,956.0
–	–	–	–	–	–	–	24,510.3	21,382.9
27,576.0	84.5	5.0	2,724.3	1,229.7	1,048.4	30,571.1	44,046.1	36,573.1
27,702.9	19.9	36.4	3,410.0	–	614.5	30,554.8	14,101.4	12,995.9
29,841.3	222.2	–41.4	4,233.0	–	3,836.5	30,418.6	10,342.3	9,520.9
89.9	–	–	–	–	–	89.9	16,208.0	7,569.5
126,240.2	361.3	–	14,666.8	3,935.8	10,843.8	134,360.2	156,065.8	139,214.5

AMORTIZATION/DEPRECIATION							BOOK VALUE	
1.1.2011	Currency difference	Reclassi-fication	Initial consoli-dation	Depre-ciations	Disposals	31.12.2011	31.12.2011	31.12.2010
36,300.5	12.9	9.4	4,112.0	3,074.1	2,478.8	41,030.0	51,172.2	55,084.1
6,665.9	–	–	–	1,832.8	1,543.8	6,954.8	31,001.1	32,144.4
29,634.6	12.9	9.4	4,112.0	1,241.4	935.0	34,075.2	20,171.2	22,939.7
19,667.7	6.1	9.4	3,356.3	1,241.4	935.0	23,345.8	16,814.6	19,545.9
9,966.9	6.9	–	755.7	–	–	10,729.4	3,356.6	3,393.8
84,425.2	97.9	–9.4	10,206.4	–	9,509.9	85,210.1	88,042.2	81,088.4
28,260.0	–6.6	1.5	2,703.0	–	3,381.9	27,576.0	57,956.0	53,069.8
–	–	–	–	–	–	–	21,382.9	19,848.8
28,260.0	–6.6	1.5	2,703.0	–	3,381.9	27,576.0	36,573.1	33,221.0
26,979.3	9.6	–0.9	3,418.5	–	2,703.7	27,702.9	12,995.9	13,567.2
29,185.9	94.8	–10.0	3,994.8	–	3,424.2	29,841.3	9,520.9	9,458.0
–	–	–	90.0	–	0.1	89.9	7,569.5	4,993.5
120,725.6	110.8	–	14,318.4	3,074.1	11,988.7	126,240.2	139,214.5	136,172.5

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, 19th February 2013

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, 2012 to December 31, 2012. The Consolidated Financial Statements include the Consolidated Balance Sheet at December 31, 2012, 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, 2012 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, 2012 as well as of the results and the cash flows of the Group for the accounting year from January 1, 2012 to December 31, 2012 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, 19th February 2013

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber eh
Auditor

Mag. Erich Lehner eh
Auditor

Supervisory Board Report

During financial year 2012, the Supervisory Board of BWT AG performed the duties required of it under the statutory provisions and the Articles of Association of the company. The Supervisory Board did not appoint any committees except for the Audit Committee; all tasks are performed by the Supervisory Board as a whole.

During financial year 2012 the Supervisory Board held four ordinary meetings at which it informed itself of the strategy, business position and plans of BWT AG and the BWT Group and discussed and took decisions on items of business requiring approval. Ongoing communication between the Supervisory Board, the Management Board and the auditors was secured by two meetings of the Audit Committee (to which three of the five Supervisory Board members belong) as well as by the informal verbal and written exchange of information.

At the Audit Committee meeting beginning of March 2012, the first of two meetings in the year 2012, the annual financial statements of BWT Aktiengesellschaft and the BWT Group for the 2011 financial year were analysed in detail in conjunction with the Management Board and the auditor. The auditors also presented the results of their audit. It was subsequently recommended that the whole Supervisory Board approve the annual financial statements of BWT AG and the BWT Group for 2011, which were presented to it. At its meeting in September 2012 the Audit Committee, together with the Management Board and the auditors, determined the planning details for the 2012 annual audit; time table, scope and audit priorities were fixed.

During the course of its four ordinary meetings held in 2012, in addition to the ongoing monitoring of business development and the most important business indicators within the Group, the Supervisory Board also looked at preparations for the Annual General Meeting and the extensive investment programme (further expansion of the Mondsee site, purchase of real estate in Hungary, investments for membrane production and pharma business in Germany). Other points of the agenda included the further development of the internal control system within the Group's financial accounting process and risk management. The mandatory takeover offer pursuant to para. 22 et seqq. ÜbernahmeG (Austrian Takeover Act) for shares of BWT by Aquivest GmbH, an indirect participation of the WAB Privatstiftung, was a special project in 2012. The Supervisory Board met all obligations and requirements. Finally, in December 2012 the 2013 budget was discussed in detail and approved.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Linz, the auditors appointed on 24 May 2012 at the 22nd Ordinary Annual General Meeting, audited the annual financial statements, including the management report of BWT Aktiengesellschaft as at 31 December 2012, as well as the consolidated financial statements, and issued the following opinion on the basis of that audit:

a) Individual financial statements: "Our audit did not give rise to any objections. In our assessment, on the basis of findings obtained during the audit, the annual financial statements comply with the statutory regulations and provide a true and fair picture of the financial and asset position of BWT Aktiengesellschaft as at 31 December 2012, as well of as the results of the company for the accounting year from 1 January to 31 December 2012, in accordance with the Austrian principles of adequate and orderly accounting."
"In our opinion, the financial report is congruent with the annual financial statements. The statements pursuant to § 243a UGB (Austrian Commercial Code) are appropriate."

b) Consolidated financial statements: "Our audit did not give rise to any objections. In our assessment, on the basis of findings obtained during the audit, the consolidated financial statements comply with the statutory regulations and provide a true and fair view of the financial and asset position of the Group as at 31 December 2012 as well as of the results and cash flows of the Group for the accounting year from 1 January 2011 to 31 December 2012 in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU."
"In our opinion, the Group's financial report is congruent with the annual consolidated financial statements. The statements pursuant to § 243a UGB (Austrian Commercial Code) are appropriate."

The Supervisory Board approves the annual financial statements of BWT Aktiengesellschaft, as well as the consolidated financial statements as at 31 December 2012, drawn up by the Management Board. The accounts are therefore adopted in accordance with § 96 section 4 Aktiengesetz (Stock Corporation Act). Moreover, the Supervisory Board supports the proposal of the Management Board regarding the utilisation of the annual result.

Vienna, 4 March 2013

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
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, e.g. 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.
Ultrafiltration	Membrane separation process (pore size ca. 0.005 to 0.05 µm) under pressure (2 to 10 bar). Particles from submicron range (bacteria, viruses, giardias, cryptosporidia) through to macromolecules can be retained.
Reverse osmosis	Membrane separation process; salt concentrate (brine) forming on the water side of pipes is discharged as wastewater. Water which flowed through the membrane (permeate) is low in salt. The retention rate for dissolved salts amounts 95 to 99%.
UV irradiation	Ultraviolet (UV) radiation is a short-wave, energy-rich, electromagnetic radiation unvisible for the human eye which is used for disinfection in drinking water treatment.

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Financial Calendar 2013

10.05.2013............Report First Quarter 2013
23.05.2013............Annual General Meeting
27.05.2013............Share trades ex dividend
31.05.2013............Dividend payment
09.08.2013............Report First Half-Year 2013
08.11.2013............Report Third Quarter 2013

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