



ANNUAL REPORT
1999

H₂O





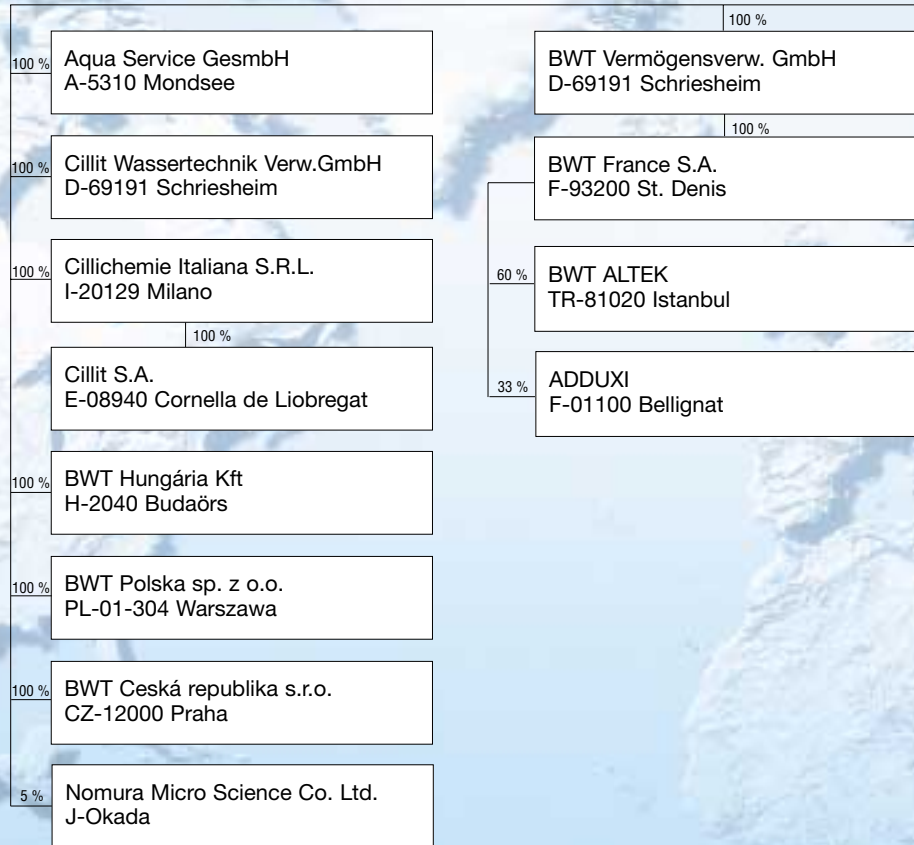
WATER TREATMENT
WITH RESPONSIBILITY

H₂O



Group structure

(as of 31.12.1999)



BWT Aktiengesellschaft
A-5310 Mondsee
€ 11,991,017.63

consolidated at equity

100 %

100 %

33,5 %

BWT Grundstücksverw. GmbH
D-69191 Schriesheim

BWT Project Engineering GmbH
A-5310 Mondsee

Christ AG
CH-4147 Aesch

100 %

100 %

100 %

BWT Wassertechnik GmbH
D-69191 Schriesheim

Hydroair GmbH
A-5310 Mondsee

Christ GmbH
D-70499 Stuttgart

100 %

100 %

100 %

BWT Belgium nv/sa
B-1930 Zaventem

Aqua Engineering GmbH
A-5310 Mondsee

Tepro Project-Engineering GesmbH
A-8501 Lieboch

100 %

100 %

100 %

FuMA-Tech GmbH
D-66386 St. Ingbert

Hinke Tankbau GmbH
A-4870 Vöcklamarkt

Christ France S.A.
F-95806 Cergy-Portoise Cedex

100 %

87 %

Hinke Kft
H-7090 Tamási

Christ Holland BV
NL-2382 Zoeterwoude

100 %

75,1 %

Kennicott Water Systems Ltd.
UK-Wolverhampton

Christ Hungaria Kft
H-2040 Budaörs

100 %

100 %

BWT Project Engineering USA, Inc.
TX-San Antonio

Christ Schwimmbadtechnik AG
CH-4932 Lotzwil

100 %

100 %

BWT Project Engineering GmbH
D-21435 Stelle

Grüter Wassertechnik AG
CH-8105 Regensdorf

75 %

100 %

100 %

Staible Holding
D-86438 Kissing

Lösch Filter GmbH
D-56746 Kempenich

Grogg AG
CH-4932 Lotzwil

100 %

100 %

100 %

Van der Molen GmbH
D-86438 Kissing

G & S Anlagentechnik GmbH
D-21435 Stelle

Christ Water Singapore Pte. Ltd.,
Singapore

100 %

100 %

100 %

Van der Molen International B.V.
NL-Wormever

GOEMA GmbH
D-71665 Vaihingen

Christ Water USA Inc.
Vancouver W.A.

100 %

55 %

100 %

VAN DER MOLEN SOUTH AFRICA LTD.
Johannesburg

Rakyat Goema

Weilimmo AG
CH-4147 Aesch

100 %

50 %

100 %

VAN DER MOLEN ASIA PTC., LTD.
Singapoure

Istanbul Goema

Christ Uangijh Servicecenter
Taiwan

100 %

50 %

VAN DER MOLEN DE BRASIL LTDA
Rio de Janeiro

Growel Goema India

BWT Group: Locations

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Introduction by the Chairman of the Executive Board

Dear Shareholders,
Dear Business Partners,

Today, BWT – Best Water Technology – is the leading European water technology group with a clear growth strategy for a great future in one of the world's most interesting growth markets – „WATER“.



Andreas Weißenbacher
Chairman of the Executive Board of BWT AG

The most important molecule on earth – H₂O – the life source and means of production WATER, is the object and motivation of our daily striving. In keeping with the motto „Water treatment with responsibility from source back to earth“, the Best Water Technology Group has continued to dynamically develop both the organisational and technological aspects of its domestic water technology, commercial and industrial technology, project engineering, swimming pool technology, fittings and service divisions.

1999 was characterised by the consistent continuation of BWT's growth strategy which is based on sustainable value creation. Growth through innovation, growth through geographical expansion and organic growth lead to a new turnover record of € 265 million,

up 15.9% compared with the previous year, in an environment increasingly characterised by the fast change in world economies. 8.9% of the total growth in turnover stems from acquisitions, and 7% from organic growth. Already, more than 26% of BWT's group turnover were achieved with product innovations less than five years old.

1999 saw double digit growth in every business area with the exception of commercial and industrial technology. BWT not only cemented its market shares in important markets, it was in part able to significantly expand them.

The increase in the participation in Christ AG to 33.5%, the purchase of 75% in Van der Molen Group, and the purchase of 5% in Nomura Micro Science Co. Ltd., in conjunction with tangible asset purchases, lead to record investments of € 21.2 million, increased by 76.2%. These measures build the basis of an important development potential for the future – but in the case of Christ AG they were the major reason for profit reduction, combined with extraordinary write-downs.

Operating profit decreased by 5% to € 19.2 million and profit from ordinary activities decreased by 18.8% to € 15.1 million.

Earnings per share decreased from € 9.87 to € 8.91 per share, as a result of the negative earnings contribution of Christ AG, which is consolidated at equity.

Cash flow rose by 3.7% to € 21.7 million. However, it is gratifying to know that, had the negative Christ contribution and the extraordinary write-down been taken through the balance sheet, income for the year would have increased by 7.8%, despite the steady increase in research spending which was up by 20.3 % to € 7.1 million, and the marketing cost for AQA total, aiming at it becoming an international brand name and therefore rising by 10% to € 6.6 million. New economically and ecologically optimised products and processes are, like a healthy equity ratio, the basis for sustainably successful and independent group development.

As BWT shareholders should not only participate in the increase in net asset values per share, but also from earnings success, the Executive Board will, as planned, propose an increase to € 2.11 in the dividend per share at the forthcoming Annual General Meeting. Distributed earnings amount to € 3.48 million.

Unique research achievements, such as the bipolar electrode in the AQA total limescale protection device and the high performance membrane for fuel cells developed by FuMa-Tech (the energy converter of the third millenium) mean that we look forward to the future in the knowledge that we have a highly motivated and resourceful team.

Since 1990, BWT has increased investment in basic research, product and process development by more than 600% and for 2000 is planning a further increase of 15%, to € 8.2 million. This will continue to enable us to be prepared for the challenges of an ecology-orientated water market resulting in increased productivity.

The increased body of knowledge around the life-giving resource and production means water with its limited availability, underpinned by an increase in the world population – the six billionth human was born during October 1999 – mean that WATER is one of the most interesting growth markets of the future.

This international market is at the same time an interesting challenge and motivation for continuing to develop in the tension field between technology development, information explosion and globalisation, which is developing at a speed unimaginable for most people.

It is the task of the BWT management team, who are working with courage and diligence, to fully exploit future chances and equally to reduce risks to the lowest possible level.

I would like to thank all my highly motivated and qualified BWT colleagues for their daily efforts to live up to our name „Best Water Technology“. I am proud of our team.

We will work on the farsightedness and concentration on our strengths and realise our common vision of a „Leading International Water Group“. We will successfully achieve this aim together with our market partners, our employees and our shareholders.

Dear Shareholders, we thank you for the trust you have put in us so far and promise to justify this with above-average earnings and sustainable value creation.

Your trust is the foundation of our company.

Yours,



Andreas Weißenbacher



Europe'
Water Techn

DRINKING WATER • SWIMMING POOL WA

The background of the entire page is a close-up, high-angle shot of water. The water is a deep, vibrant blue. In the lower half of the image, a series of concentric ripples spread out from a point of impact, creating a sense of movement and depth. The lighting is soft, highlighting the texture of the water's surface.

SWT

s largest
ology Group

TER • PROCESS WATER • WASTE WATER

THE COMPANY

The Best Water Technology group of companies was founded in 1990 from an MBO of the Benckiser Group, Ludwigshafen in Germany, and today the BWT Group with its 54 subsidiaries and associates is the leading water technology company in Europe. BWT has pledged itself to the entire water cycle - from source back to earth – and accordingly, the business areas of drinking water, swimming pool water, process and waste water were consistently expanded.

The Best Water Technology Group maintains production plants at four main sites - in Paris, France; Schriesheim, Germany; Tamasi, Hungary; and Mondsee, Austria, as well as at the associate Christ AG at Aesch in Switzerland. All the basic technologies for water treatment applications, disinfection technologies such as UV- and ozone plants are as much part of the programme as ion-selective membranes, electrical desalination plants, ion exchangers, membrane plants (reverse osmosis, nanofiltration, microfiltration, ultrafiltration) and the new AQA total Technology - the first technology worldwide for drinking water treatment without the use of salt – and the unique FuMATech High-Performance Proton Exchange Membrane which will revolutionise the fuel cell technology. Research and development are carried out at four sites.

Growth through innovation is life. Growth through geographic expansion is the engine for long term dynamic company development. BWT subsidiaries and associates are now present in every European country with the exception of

Scandinavia. We purchased or founded companies in North and South America and in Asia during the past few years; these will carry out sales and engineering in the local markets.

It is the goal of the BWT Group to build on its leading position in Europe by means of consistent internationalisation, bearing in mind BWT's value strategy. The basis for this continued dynamic development in an increasingly fast-changing market are maximised profits. They are the basis for financing BWT's growth strategy in the most interesting world market: „WATER”.

BWT-Value-Strategie



Vision

BWT - a leading international water technology group

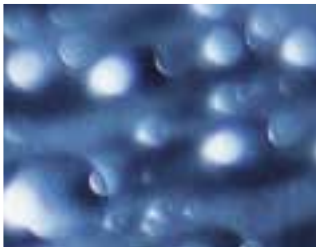


Strategy

Growth through innovation

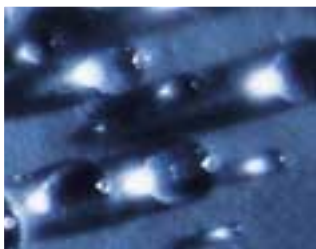
Growth through geographical expansion

Growth in existing markets with existing technologies



Financing

Long term from own cash flow



Motto

Best

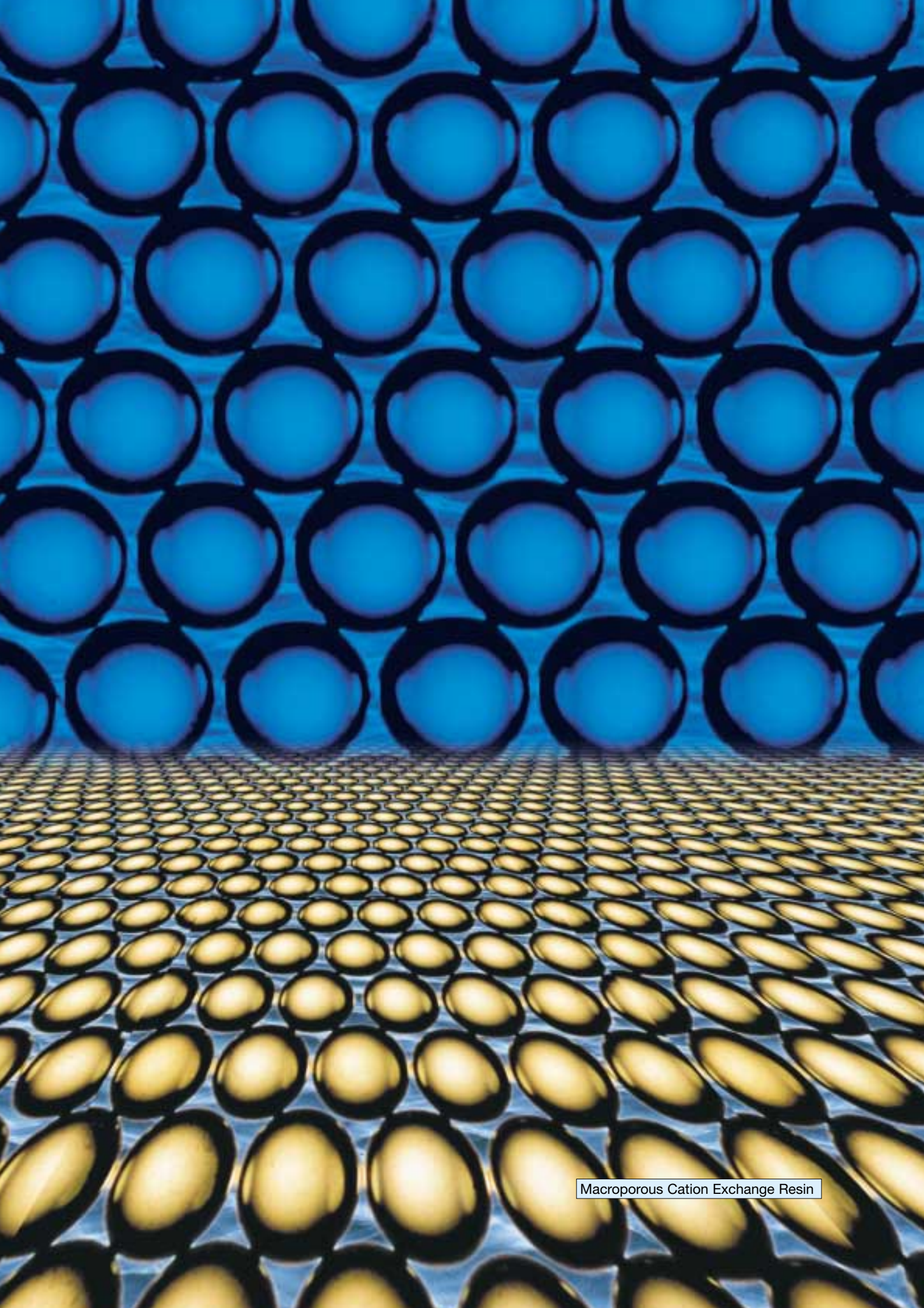
The aim: achievement and success

Water

The task: from source back to earth

Technologie

The solution: optimisation of ecology and economy



Macroporous Cation Exchange Resin

Members of the Executive and the Supervisory Boards

Supervisory Board

Mag. Dr. Leopold Bednar, Vienna
(Chairman)

Dr. Wolfgang Hochsteger, Hallein
(Deputy Chairman)

Dipl.-Vwt. Ekkehard Reicher, Elixhausen

Gerda Egger, Golling

Dr. Martin Tschannen, Aesch, Switzerland (until 17. 4. 2000)

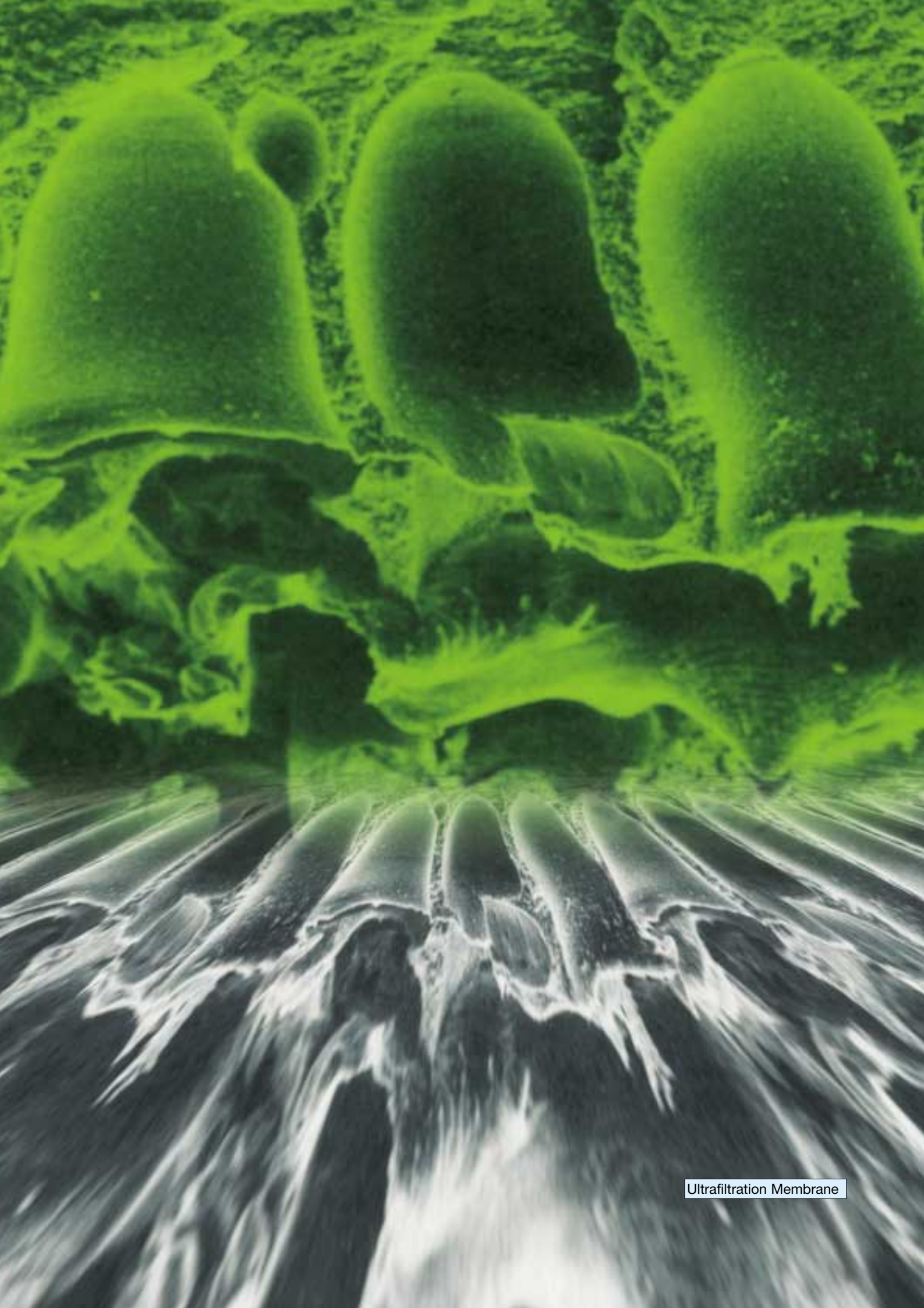
Dr. Reinhard Salhofer, Hallein

Executive Board



Andreas Weißenbacher
Age: 40 years
Executive Board Chairman

Gerhard Speigner
Age: 39 years
Member of the
Executive Board,
responsible for Finance



Ultrafiltration Membrane

Water

Life source for mankind – business life source for BWT

„Origin of all things”, is how Thales described water. The ancient Romans and Germanics, too, thought that water had magic powers. According to today’s historical knowledge, water was the most necessary and therefore important element of the earth’s historical development. The origin of life was formed in water three billion years ago, and without water there would be no life.

The unique bond between two hydrogen atoms and one oxygen atom to form H₂O is the most interesting and at the same time most important molecule in the world. Two thirds of the earth’s surface are covered with water, more than half of the human body consists of water. Water is life source and production means, energy source and adventure world. Water is a unique medium which is entering human awareness more and more due to its limited availability and is therefore becoming more and more precious. Water is the only molecule which occurs naturally in all three energy states – solid, liquid and gaseous. During the 18th century, the Swede Anders Celsius had the ingenious idea of establishing a temperature scale which defined zero as the point at which water transforms from its liquid to its solid state and 100 degrees at the point at which water changes into the gaseous phase. Water is something unique in many respects.

Water is distributed over the entire surface of the earth. Its physical and chemical properties render it a

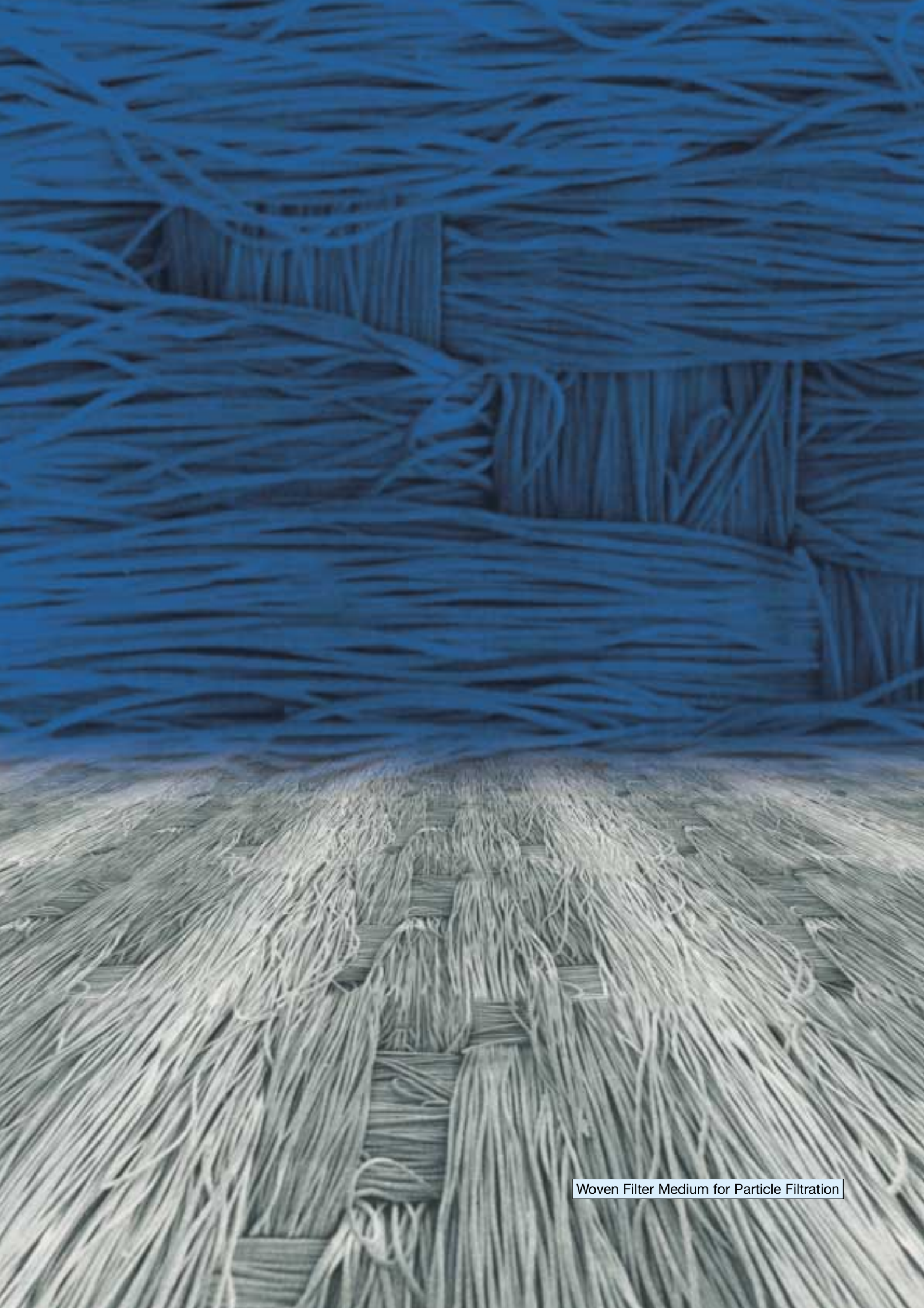
universal means for transport and for making solutions, which is integrated everywhere into every one of nature’s cycles, both in the microscopic and the macroscopic sense. Without water, there would be no nitrogen cycle and no phosphorus cycle – both are essential elements of the biosphere - as the ions involved could not be transported. Water is capable of dissolving salts and thus making them available to plants. The plants use these ions as nourishment and return the unused water back to the atmosphere. This small water cycle is as important as the large one – without it, and therefore without water, there would be no life.

However, water not only dissolves vital substances, but also dangerous ones such as heavy metals, pesticides, fertilisers etc., and integrates them into the water cycle. In order to remove these damaging substances, water treatment is a necessary technique for the preservation of life, health and quality of life.

Apart from its good dissolving properties, water has other unique properties, such as its density (the weight per cubic metre). Many substances expand when they are warmed, reduce their density and in the reverse case, when cooled, increase in density. If a liquid cools, the coolest portion sinks to the bottom, and the freezing process begins. Our life source water behaves in the opposite way, as demonstrated by floating icebergs. If water is cooled from 10° C to 4° C its maximum density of 0.999973 kg/l is achieved.

On further cooling, water begins to expand again. Ice only weighs 0.91 kg/l and this is the reason why icebergs float. It is also the explanation why frozen water bottles explode and how fish can survive in water that is frozen over. They live near the bottom of the sea where the water is heaviest, because there, the temperature is maintained at about 4° C.

As more than two thirds of the surface of the earth consist of the unique liquid water, one might think that this is enough for everyone. But on closer inspection it becomes clear that only 0.6% of this huge water mass is available without treatment to be used as drinking water. The knowledge of this limited availability and the rapid increase in the world population – during October, the six billionth human was born – are substantially responsible for the increasing awareness of the value of water. Soon, water will replace oil as a source of energy and in terms of importance. For BWT, water is not only a phantastic task and challenge, but also life source and nectar for commerce.



Woven Filter Medium for Particle Filtration

BWT Business Areas

Domestic Water Technology

	Turnover in € million
1999	72.0
1998	62.9
+% compared to the previous year	14.5

The products:
for sanitary installations and drinking water treatment in houses and apartment buildings:
protective filters, water softener, mineral dosing systems, nitrate reduction devices, disinfection devices and physical limescale protection devices incorporating IQ-Technologie.

Today, the most modern technologies ensure BWT's leadership in the most important European countries and put it in a position of technological leadership. The customer's demand for the best quality and reliability of the products for the life source water is taken as the central task in the BWT production facilities and research centres. The modern and resource conserving water treatment technologies and products are the result of continued work.

The successful work in the market, selling the unique AQA total limescale protection device in many European countries, resulted in increased turnover of € 17.5 million, up 24.1%, representing more than 19,800 units sold.

The AQA total product group has received many awards. The DVGW (German Association of Gas and Water Installers) awarded the highly prestigious DVGW certificate to AQA total 2500, the ÖVGW, the Austrian equivalent to the DVGW, awarded the important ÖVGW seal of quality to the entire product family, from AQA total Type-1500 to AQA total Type-14000.

In Switzerland, AQA total was awarded the SVGW. The special efficiency of AQA total technology was also confirmed by a number of other internationally recognised quality control institutions and professional bodies during 1999. The French CEBTP, the American SPECTRUMLAB and also many international competitors have confirmed the unique performance of the AQA total devices, which for the first time afford guaranteed limescale protection without the use of salt.

It was a great honour to see the AQA total-Type 1500 emerging as the winner of a series of tests conducted with twelve certificated devices. The test series was an EU initiative and conducted in Germany, Austria and Belgium. The test result was published in the consumer publications „Der Konsument“ in Austria, „Test – Stiftung Warentest“ in Germany and „test achats“ in Belgium.

The growth rate begun during the past years was continued during 1999. Turnover increased by 14.5%.

It is gratifying that domestic technology without AQA total also continued the positive trend of 1998, being able to increase by 11.2%.

AQA total is the basis for the development of an ecology oriented mass market using certified technology.



Spiral Wound Reverse Osmosis Membrane

BWT Business Areas

Commercial and Industrial Technology

	Turnover in € million
1999	41.4
1998	41.1
+% compared to the previous year	0.8

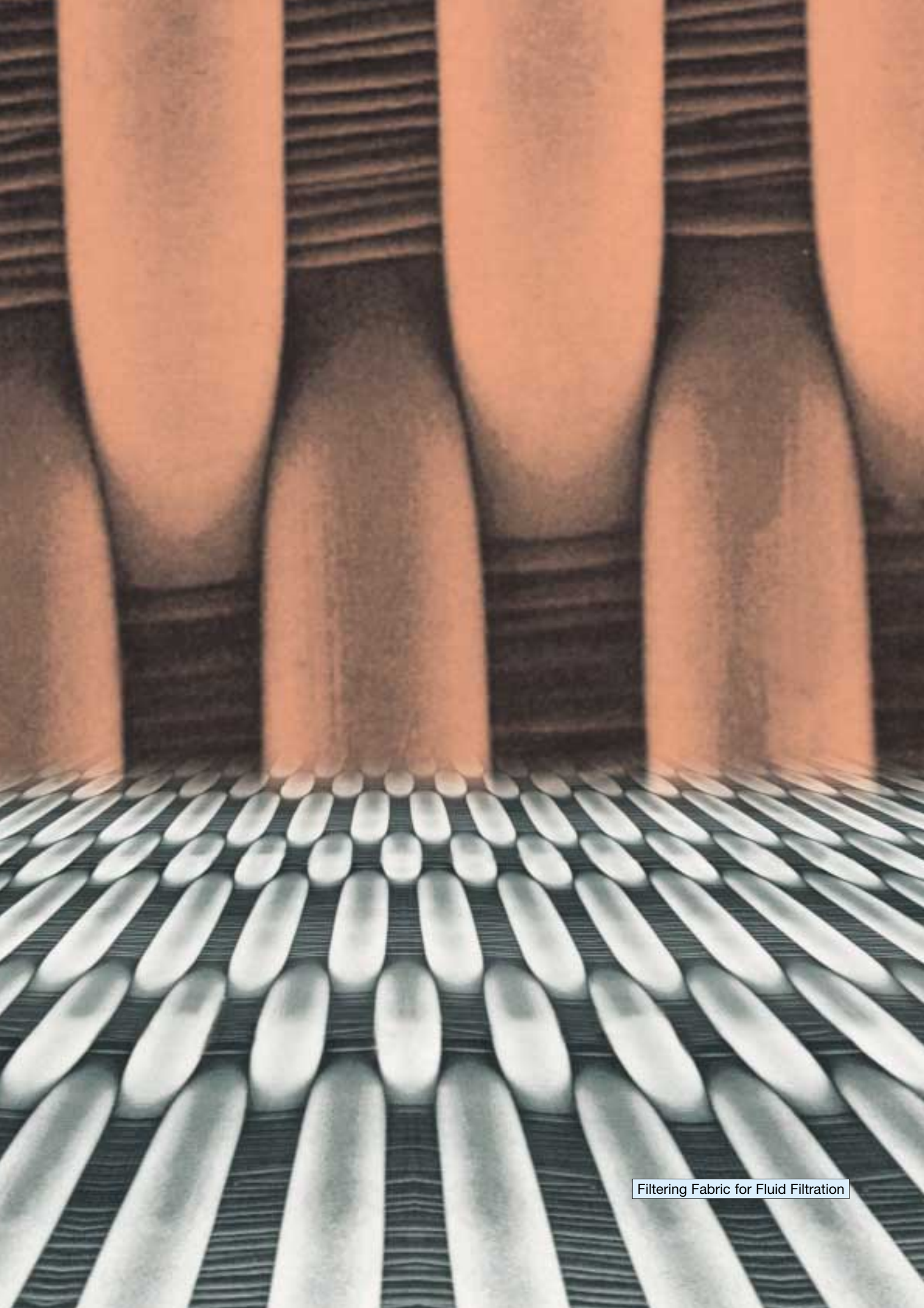
The products:

filters, dosing pumps, softening, partial and complete desalination plants, membrane plants (reverse osmosis, nano, micro and ultra filtration plants), electrically regenerable mixed bed plants, UV and ozone plants, deironisation, demanganisation, deacidification and denitrification plants, decarbonisation, electro dialysis, diffusion dialysis, electric chlorine disinfection plants, chemicals, minerals and testing equipment.

Individual solutions using standardised high tech components are an important part of the philosophy which has made BWT's commercial and industrial technology the leading European supplier of water treatment plant in industry, commerce, catering, municipalities and hospitals. In order to cement this position, a team of highly qualified technicians is permanently occupied with the optimisation of the products and processes, in order to ensure the economic use bearing in mind the strictest ecological standards. Our new membrane plant which is presented in an ultra compact design offers significant performance advantages and online operation, with the added advantage of its compact size. Independently of whether we build the plant for industry or the health sector, the high rate of availability, the highest water quality and optimum operating costs increase productivity and are therefore important for our customers' satisfaction.

Despite the difficult market situation in 1999, which was brought about by continued reluctance to invest, pressure on public budgets and strong downward price pressures, turnover was increased by 0.8%. The introduction into the market of two large scale AQA total devices – plant types 5600 – 14000 also had a positive effect during the second half of 1999.

Following a phase of economic consolidation in many European countries, it is now expected that industrial investment activity will pick up again. The continued market saturation by AQA total large-scale plants and the good economic outlook means that in this business area, too, we look to the year 2000 with confidence.



Filtering Fabric for Fluid Filtration

BWT Business Areas

Project engineering

	Turnover in € million
1999	93.6
1998	81.3
+% compared to the previous year	15.2

The products:

customer-specific plants in the areas of drinking water, swimming pool technology, and in the process and waste water technology area for industry and municipalities.

Water technology solutions for increasingly demanding customers are a creative challenge for BWT Project Engineering. The future-orientated results are achieved in close cooperation with customers and suppliers. Today, BWT is a recognised global partner of innovative and efficient technologies for drinking water supply and waste water treatment for municipalities, large municipal swimming pools and process and waste water technologies in industry.

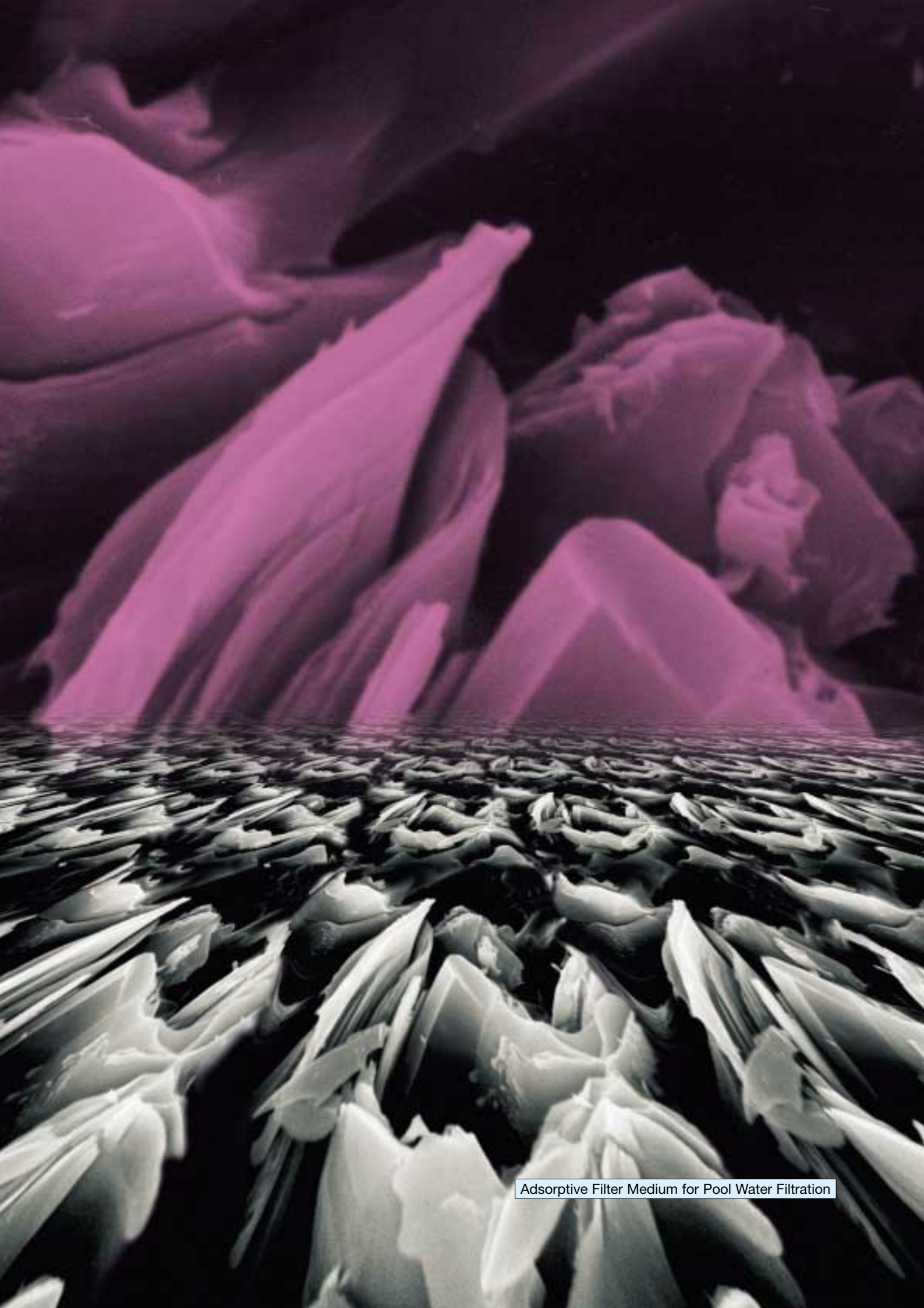
The companies combined as BWT Project Engineering GmbH, located in Mondsee, Austria, and as BWT Project engineering GmbH in Stelle, Germany, were strengthened by the acquisition of the Van der Molen Group which is headquartered in Augsburg, Germany, and has subsidiaries in The Netherlands, in Singapore, Brasil and South Africa. The bundling of core competencies thus achieved means that BWT is in a position to offer total solutions to the beverages industry. As a result, the existing portfolio of customers was enlarged by the important „food and beverages” sector. Shortly after its integration into the BWT Group, the Van der Molen Group took over the marketing activities for BWT’s F&B division. The strategically important internationalisation was continued with the increase in the participation in Christ to

33.5% and the purchase of 5% in the Japanese Nomura Micro Science. While in the case of Christ, this internationalisation has had a strong negative influence on results, it also represents important future potential.

Aqua Engineering GmbH, active in large-scale plant construction and based in Mondsee, Austria, achieved another good overall result during 1999. Despite tough international competition in the areas of drinking and wastewater plants for municipalities and desalination plants, Aqua Engineering GmbH was able to assert itself by means of its innovative technology. Many successfully completed projects in many different parts of the world, concentrating in the Near, Middle and Far East and here particularly in the People’s Republic of China, form the basis for sustainable positive development of the business.

The international demand for drinking, process and waste water treatment plants continued to be the driving force behind the economic success of this division during 1999. The turnover of € 93.6 million meant that the previous year’s turnover was increased by 15.2% and this was achieved despite continued stagnation in investment activities in the municipal swimming pool business.

An increase of more than 27% in the order backlog is a good basis for a successful start into the third millenium.



Adsorptive Filter Medium for Pool Water Filtration

BWT Business Areas

Swimming Pool Technology,
Service and
Sanitary Fitting Technology

	Turnover in € million
1999	58.5
1998	43.9
+% compared to the previous year	33.2

Swimming Pool Technology

The products:
whirlpools, outdoor and indoor swimming pools, filters, ozone plants, dosing systems, measuring and control devices and care materials.

The demand for a development which affords an optimum in leisure quality, hygiene and economy, continues unabated in the area of swimming pool technology for private and hotel customers. BWT has set itself this challenge by realising individual product and process concepts, using the most modern technologies and the most resource efficient treatment methods.

Following our philosophy of orientation on the customer and the environment, we are offering plants with optimum functionality, simple operating features and the lowest operating costs.

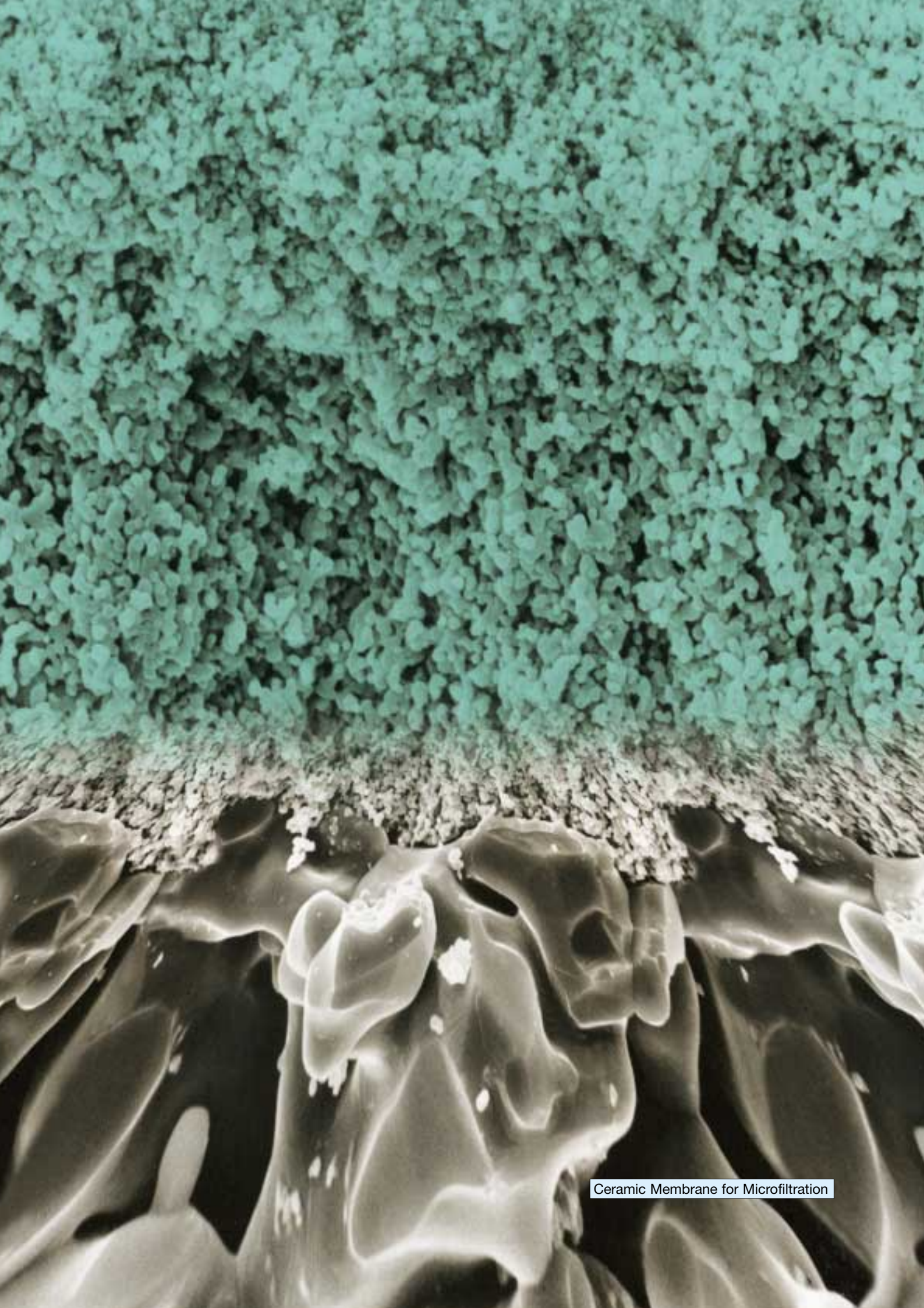
Individual solutions in terms of design and according to the motto „BWT Adventure in the Pool“, we not only demand continued innovation, but are also the basis for continued success. In 1999, we were able to increase turnover by 42.8% to € 26.8 million.

Service

The products:
spare parts, commissioning and servicing of and consulting for BWT water technology products and plants.

The principle of customer orientation becomes particularly transparent in the service palette of the BWT service organisation. The services provided are tailored to the

market needs, ensuring economic and ecologically optimised operation yet fulfilling the aspect of the highest possible plant preservation. The aim is to achieve cost and risk minimisation and at the same time to increase the lifetime of the plant. We make our services available equally to private customers, hotels, industry as well as municipalities.



Ceramic Membrane for Microfiltration

BWT Business Areas

Turnover was increased, despite the market being characterised by rationalisation measures, with sales of innovative product solu-

tions and an addition to the business, and amounted to € 24.5 million, up 37.4%.

Sanitary fittings

The Products
sanitary fittings for kitchens and bathrooms, monobloc mixer taps incorporating „ECO total” ceramic cartridges, high performance thermostatic instruments and the original „Orient Express” nostalgia product series.

The use of water and energy saving sanitary fittings using flow and temperature limitations are essential in the sense of ecological awareness. The highest demands of quality, visionary design and fit-

ting and service friendly solutions are the basis for successful operation in the sanitary fittings market. Numerous patents and international licenses are proof to the capabilities of our sanitary technicians.

At present, the sanitary fittings business is only operated in Austria. In a domestic market characterised by a shrinking construction economy, the dealership was significantly expanded in 1999 as a result of increased marketing activities. Turnover rose by 3.3%.

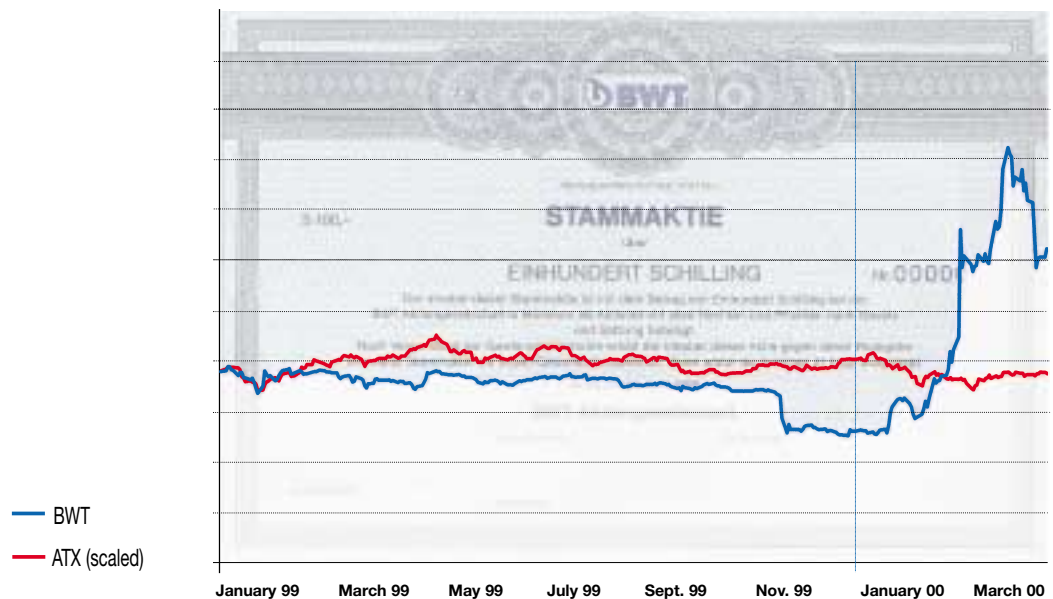
Mondseer Fittings

The Products
gas, water and heating instruments, special and unusual fittings.

The consistent development of new technological solutions under the premise of high functionality, safety and cost-optimised produc-

tion methods is essential in the fittings business, too. As a result of the concentration in the areas of sanitary fittings, water works and gas works technology and the strengthening of marketing activities, the turnover decrease of last year was stopped and in 1999 sales growth of 8% was recorded.

The Vienna Stock exchange – the BWT share



The Vienna stock exchange showed a less pronounced development compared with most international stock exchanges. The ATX (Index of Austrian continuously traded shares) improved by 6.9% during the year. Compared with this, developments at important international stock exchanges were significantly higher (eg. DAX +39.1%, Dow Jones Industrial +25.2%, Nikkei +36.8%).

BWT AG has been quoted on the Austrian stock exchange since

May 1992. BWT shares are weighted at 1% in the main index ATX. In the context of weak exchange development, BWT shares came under pressure from the revision to earnings expectations for the fourth quarter, so that the share price at year-end, at € 133.5, was 29% below that of the beginning of the year.

During the first quarter of the year 2000, however, and with unchanged stock market conditions, an increase in the share price by

All prices in €

Stock market relevant data	1999	1998	1997	1996	1995	1994	1993	1992
Number of shares (in 1000's)	1,650	1,650	1,650	1,650	1,650	1,650	1,500	1,500
Earnings per share (€)	8.91	9.87	8.21	7.70	7.49	6.69	7.19	6.10
Dividend per share	2.11	2.03	2.03	1.96	1.96	1.82	1.82	1.82
Cash earnings per share (€)	12.90	12.79	12.28	12.50	10.46	9.16	9.59	6.98
% of shares held by the public	45	45	45	45	45	45	40	40

Share price	31.3.00								
Issue price	-	-	-	-	-	-	-	-	74.5
High	406.0	193.5	198.4	172.2	105.7	122.8	134.4	105.4	74.7
Low	130.4	129.3	131.5	90.5	76.3	69.0	105.2	49.9	50.1
Year end price	377.6	133.5	188.9	142.4	81.3	75.2	121.7	105.3	50.1
Market value (€ million)	623.0	220.3	311.6	235.0	134.2	124.1	200.8	158.0	75.1

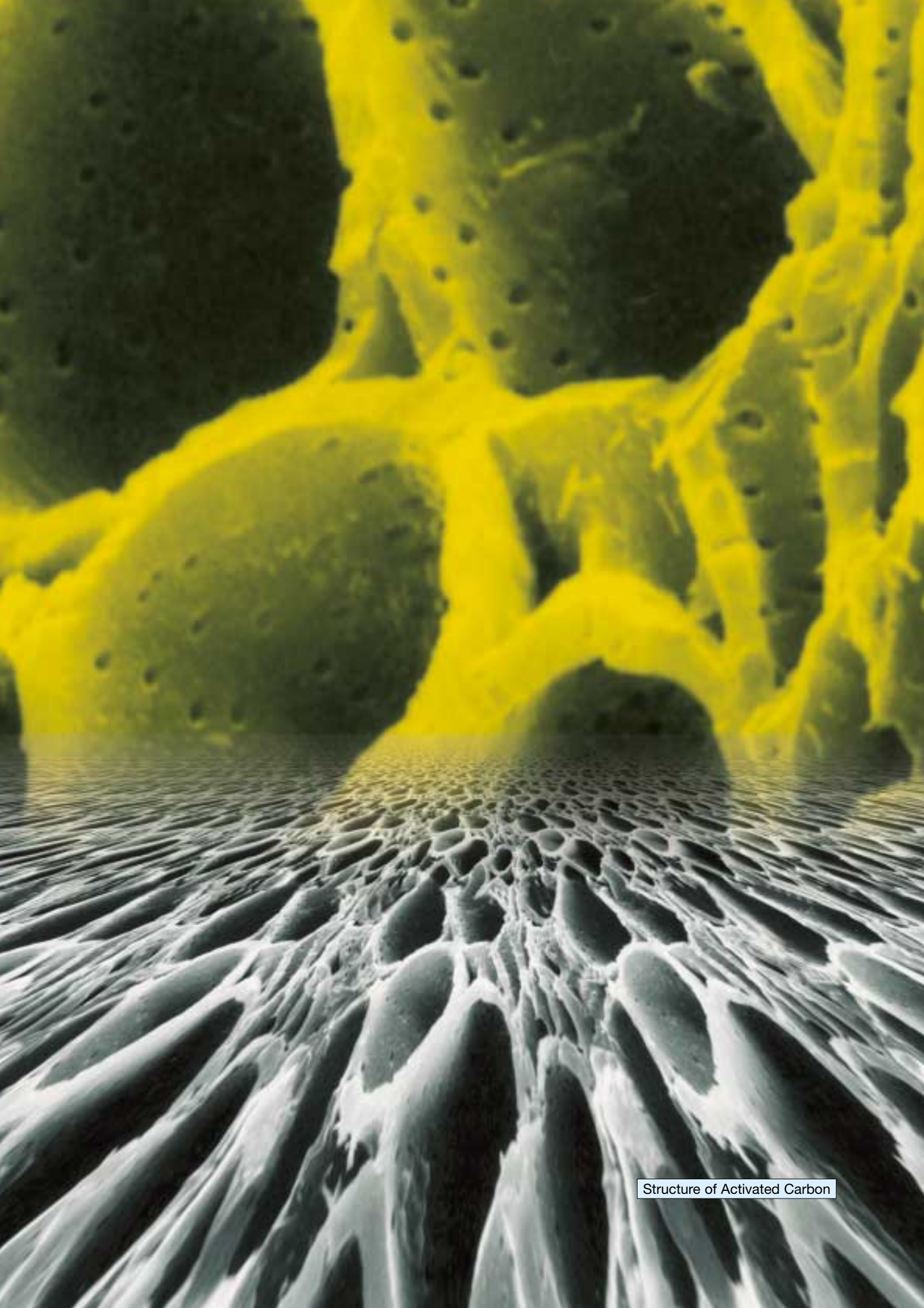
126% to € 301.80 (as of 20.4.2000) was recorded. This was achieved thanks to intensive Investor Relations activities and the presentation of a unique high performance membrane which will help to facilitate the timely industrial breakthrough of fuel cells, the energy converter of the third millennium. The trading volume of BWT shares amounted to € 159 million during the past year. In the first quarter of the year 2000, € 285 million were achieved.

The development of dividends shows a continued upward trend.

For 1999, the Executive Board proposes an increase in the dividend by 4% to € 2.11 per share. The total payout will therefore increase to € 3,481,500. The payout ratio will therefore be 24%

Shareholder Structure

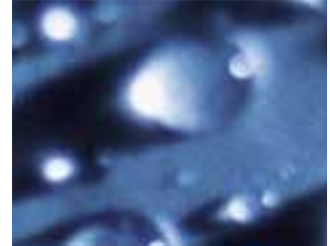
45% of the share capital are owned by national and international institutional investors and private shareholders, 21% are held by the BWT Private Foundation, and 34% by YSRO B.V.



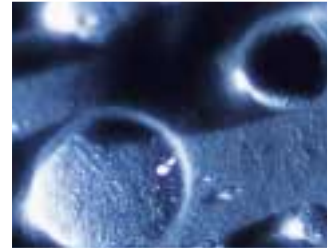
Structure of Activated Carbon

Management Report 1999

Turnover rising by 15.9 % to € 265.5 million



Result from Christ participation prevents earnings increase
Operating profit falls by -5.0% to € 19.2 million
Earnings from ordinary activities fall by -18.8% to € 15.1 million

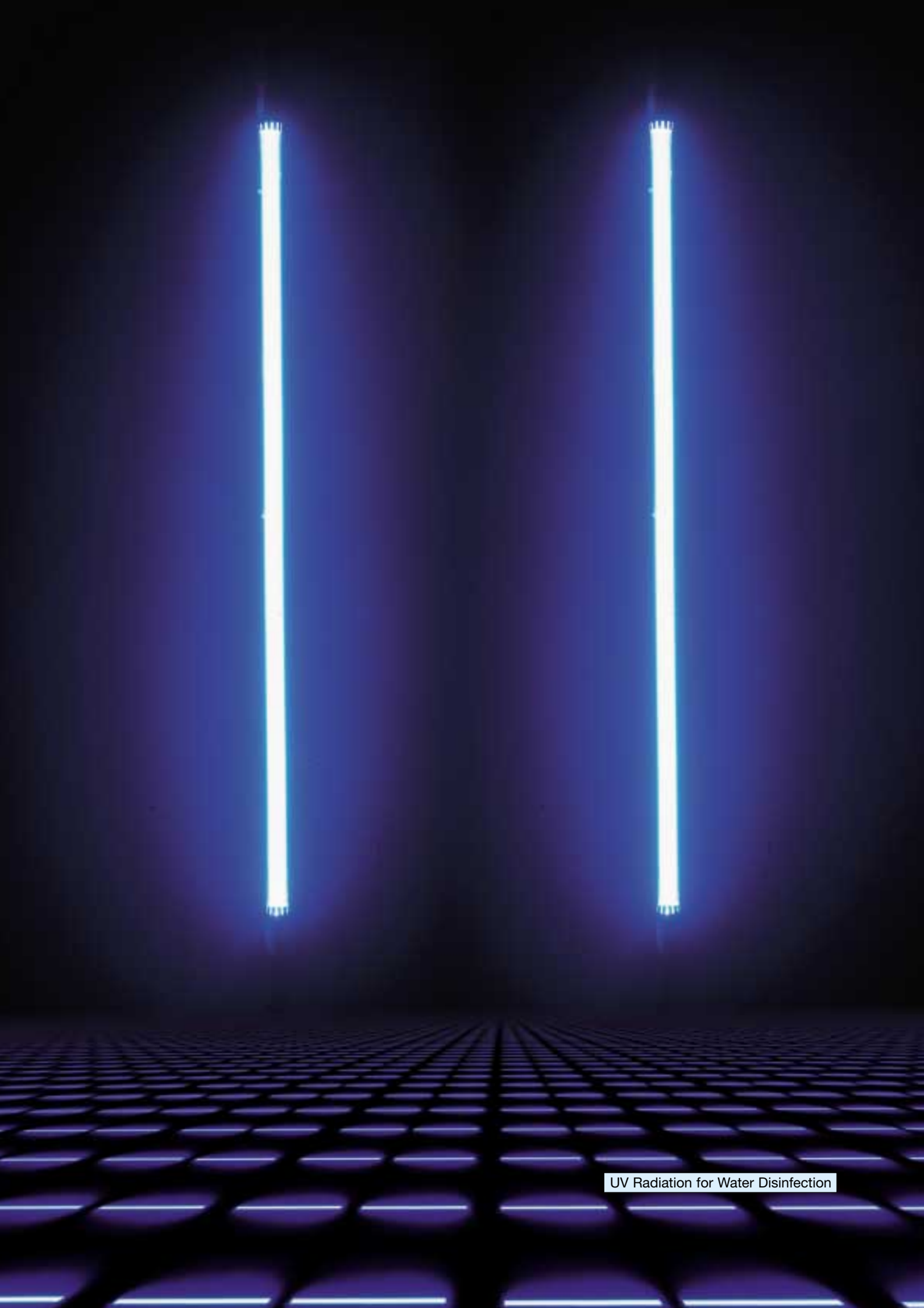


€ 7.1 million: +20.3%, for research and development



Sales of AQA total rise by +24.1% to € 17.5 million





UV Radiation for Water Disinfection

Management Report 1999

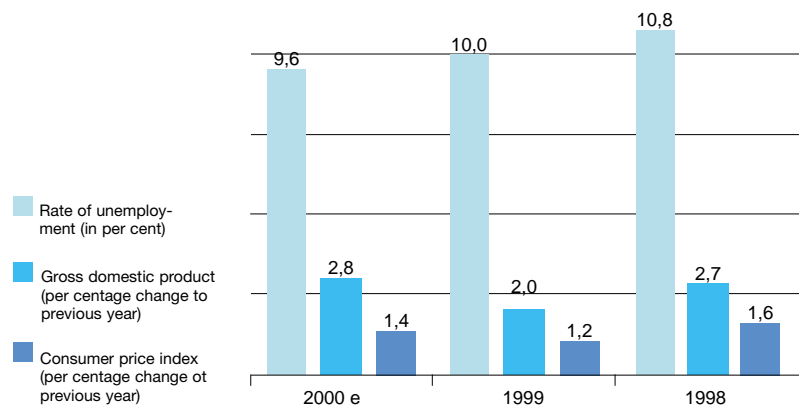
Economic framework

In terms of economic growth, the countries in the European Currency Union (Eurozone - EU11), at 2.0%, clearly lagged behind compared with the United States in terms of real growth, which showed an increase of 4.0%. Following a significant increase in private consumption, growth impulses were mainly due to domestic demand within Euroland. For the year 2000, increased economic growth in a magnitude of 2.8% is forecast. Apart from continued activity in domestic demand, improved international export conditions will continue to

be at the foundations of this development. These conditions are particularly favourable for BWT with its specific core markets.

At 1.3%, the level of increase in consumer prices during 1999 (EU 11:1.2%) was very stable. For the coming year, a slight increase in consumer price inflation to 1.5% is to be expected. Despite the prevailing good economic conditions, the rate of unemployment in the countries of the European Union, at 9.2% (EU11:10.0%) continues to be at a very high level.

Economic data within the Eurozone (EU 11)



Germany – signs of improved economic conditions

At 1.3%, the increase in real gross domestic product in Germany was lower than that in the remainder of Euroland. While price stability continues with inflation at 0.6% and a slightly lower rate of unemployment at 9.1%, Germany is beginning to show signs of improved economic growth. Based on positive developments in the

German export trade and increased domestic demand which originates from the announced tax reform as well as decreasing unemployment numbers, it is forecast that economic growth will increase to 2.3% during the year 2000.

Management Report 1999

Overview of the economy

Italy –
growth below
EU average

In Italy, real growth sank to 1.0%, with the economy having grown by 1.3% during the previous year, and so continued to fall below the average of the EU countries. Prognoses expect an increase of 2.0% for the coming year; this

would also be below the expected EU average. The rate of inflation was 1.7% in Italy and, like the unemployment rate at 11.4%, was high compared with the European average.

France –
private consumption
brings economic growth
of 2.8%

The economic upswing in France began earlier and was on a broader base than that of Germany. 1999 saw France's economy grow by 2.8%, a growth which was based largely on private consumption.

As a result of the new employment programme initiative, the rate of unemployment was reduced to slightly below 11.0%. The French rate of price increases, at 0.5%, is the lowest in Europe.

Austria –
Export is engine
for positive
development

With a real economic growth rate of 2.2%, the Austrian economy developed better than the average of the European Union, as was the case in the previous year. The situation was characterised by exports decreasing compared with the previous year, but during the second half they became more dynamic and for the year they averaged just under 3%. The reason for this was the positive economic development, particularly in the countries of the European Union. Domestic demand was also a pillar of the economy, and this increased during 1999.

both in terms of rising export numbers and in the domestic demand situation, so that real economic growth of 2.8% is forecast. The inflation rate was at the very low level of 0.6% and therefore one of the best in Europe. For the coming years, too, relatively good price stability with inflation rates of around 1% is expected.

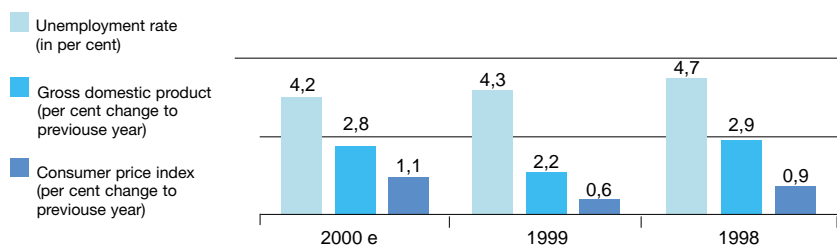
The rate of unemployment was slightly lower, after years of increases in the number of unemployed. It decreased from 4.7% in the previous year to 4.3% (EU definition) in the year under review. This is an improvement which should be continued during the year 2000.

For the year 2000, continued positive developments are expected

Construction investment was not able to achieve the previous year's growth rate and recorded a real increase of 1.3%, thus showing only moderate growth. Generally, there has been a decrease in new construction investment, while

renovation has become more important. Despite this, prognoses for the year 2000 show a stagnating construction economy, which is unlikely to benefit from the expected increase in the overall economic development.

Economic data Austria



Overview of the Sector

The water treatment sector continues to show a positive trend, which is being backed by the improved international economic development.

The worldwide increase in population numbers and the resulting problems in the areas of environmental pollution, food production and urbanisation increase the awareness in the direction of the sustainable creation of an ecological equilibrium. Water, as our most important life source and production means gains in importance as a result. This circumstance is at the root of the worldwide above-average sector growth, which, dependent on the region is expected to

grow by between 3 and 10% according to relevant studies. Future markets particularly include the new economies of Eastern Europe, which show good development potential in the area of infrastructure.

The market is likely to be strongly influenced by consolidation and concentration tendencies, although currently it is still relatively fragmented. The Best Water Technology Group will continue to use the continuing good market opportunities for a dynamic company development.

Management Report 1999

Turnover development

€ 265.5 million

Internationalisation continues to improve

AQA total growth by 24.1%

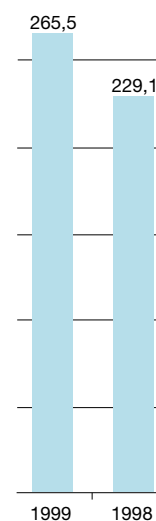
The achievement of a consolidated turnover of € 265.5 million meant that the goal set for the business year 1999 was slightly exceeded. Compared with the previous year, during which a total of € 229.1 million was achieved, this represents an improvement of 15.9%. In the group parent company BWT AG turnover, at € 48.8 million, was at the previous year's level. Of the total group turnover, 77% (€ 204.9 million) were achieved abroad.

All the business areas, with the exception of the Commercial/Industrial Technology, achieved double-digit growth rates. The increase in the business area „Domestic Water Technology” amounted to 14.5%, in Project Engineering 15.2%, and in the business area "Swimming Pool Technology, Sanitary Fittings and Service” even 33.2%. The Swimming Pool and Service business developed above-aver-

Divisional Turnover Development	1999	1998	+ %
Domestic Technology	72.0	62.9	+ 14.5
Commercial and Industrial Technology	41.4	41.1	+ 0.8
Project Engineering	93.6	81.3	+ 15.2
Swimming pool, Fittings, Service	58.5	43.9	+ 33.2
Group total	265.5	229.1	+ 15.9

Of total sales, 8.9% stem from acquisitions, 7% are due to organic growth. The proportion of sales outside the core region (Austria, Germany, France, Italy) grew overproportionately by 26%. This is clear proof of the continued internationalisation of BWT's business

Consolidated Group Turnover BWT-Group (in € million)



age (+42.8% and +37.4%, respectively) and Fittings, too, showed a trend turn compared with the stagnation of previous years, and grew by 6.3%. Only the „Commercial and Industrial Technology”, at +0.8%, remained behind expectations. Detailed results were as follows (in € million):

activities. Despite the fact that sales of the limescale protection device AQA total were not initiated in the USA and the United Kingdom, as originally planned for the business year 1999, group turnover with AQA total was increased by 24.1% to € 17.5 million.

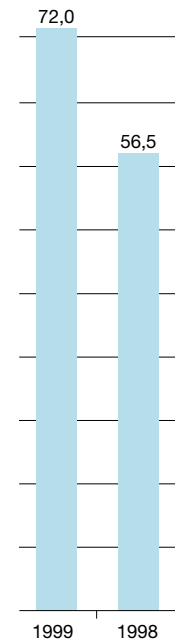
Order book

€ 72 million,
+ 27.4 % compared with the
previous year

Both BWT Group and the parent company BWT AG enter the year 2000 with considerably improved order books. At the balance sheet date, the value at group level amounted to € 72 million, representing an increase of 27.4% compared with the previous year. The main reason for this gratifying development is Aqua Engineering GmbH, located in Mondsee, which, amongst others, holds a leading market position in the planning and execution of municipal drinking and waste water treatment plant in China. Just under 5% of the increase in the order backlog stem from the first-time consolidation of the Van der Molen Group.

BWT AG and its branch office in Braunau, responsible for Engineering and assembly of municipal adventure swimming pools and drinking water treatment plant, was able to reverse the downward trend of the year

Order book (as of 31 December in € million)



1998 and, at € 6.2 million, returned to previous year's levels.

Earnings position

Losses from the Christ participation and extraordinary depreciation depress the result to below previous year's levels
– Operating profit -5.0 %
Earnings from ordinary activities -18.8 %

Following the significant earnings growth of the year 1998, during which operating profits rose by 45.3% and earnings from ordinary activities by 17.8%, the earnings development of BWT Group during the business year was influenced by extraordinary depreciation charges and losses from the participation in the Swiss Christ Group. Operating profit was lower as a result of a special depreciation charge on the consolidation equalisation position of Lösch Filter GmbH in an amount of € 1.6 million, reducing it from € 20.2 million

in the year 1998 to € 19.2 million in 1999 (-5.0%). While material and personnel costs only increased marginally in relation to turnover, the other operating costs reflect the repeated increase in research and development spend of 20.3% (from € 5.9 million to € 7.1 million), as well as first-time consolidation.

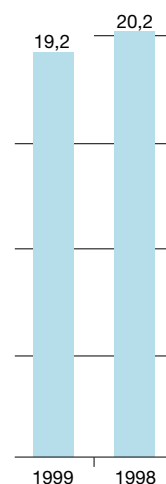
Management Report 1999

The financial result worsened from € -1.6 million during 1998 to € -4.1 million. The main part of the worsening is due to the negative result of Christ AG which is an associate consolidated at equity. The increase in interest payments of around € 0.6 million is largely due to the first-time consolidation of the Van der Molen Group.

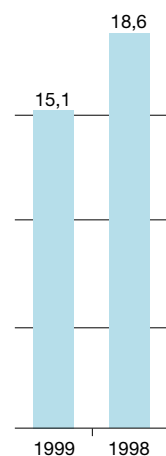
The result from ordinary operating activities amounted to € 15.1 million and is lower than last year, chiefly due to the decrease in financial earnings by 18.8% compared with the previous year (€ 18.6 million). Due to a slight increase in the tax burden to 24%, profit for the year decreased from € 14.4 million to € 11.6 million, a decrease of 18.9%. Without the negative impact of the extraordinary depreciation and the result of the Christ participation, profit for the year would have increased by 7.8% compared with the business year 1998.

At group parent company level, BWT AG reduced operating profits from € 4.9 million to € 4.6 million, with financial earnings lowered from € 3.1 million to 0.1 million, as a result of a decrease in subsidiaries' dividend payouts. As a result, earnings from ordinary operating activities were reduced from € 8.0 million to € 4.5 million and profit for the year fell from € 7.6 million to € 4.3 million.

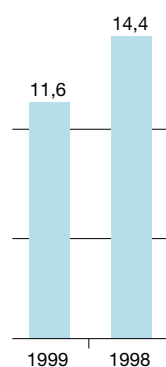
Operating earnings
(in € million)



Earnings from ordinary activities
(EGT) (in € million)



Profit for the year
(in € million)



Increased Dividend

The Executive Board will propose a dividend payout of € 2.11 per share (€ 1.82 dividend plus € 0.29

bonus) to the Annual General Meeting, increased from last year's € 2.03.

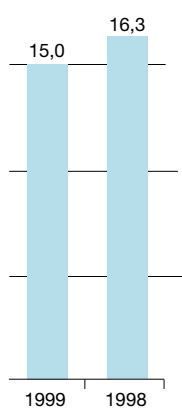
ÖVFA data

The ÖVFA result was calculated at € 15.0 million by the ÖVFA Commission in its conference on 26 April 2000, a decrease of 7.9% compared with 1998 (€ 16.3 milli-

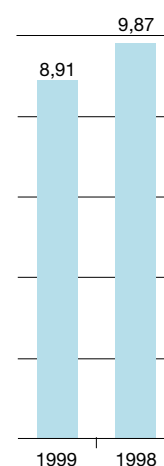
on). Cash earnings rose to € 21.3 million and ÖVFA equity amounted to € 75.6 million.

	1999	1998	
Group result	15.0	16.3	€ million
Earnings per share	8.91	9.87	€
Cash earnings	21.3	21.1	€ million
Equity	75.6	70.3	€ million
Equity ratio	32.7	33.9	%
Book value per share	46.11	42.59	€

ÖVFA result
(in € million)



ÖVFA earnings per share
(in €)



Management Report 1999

Asset and financial position

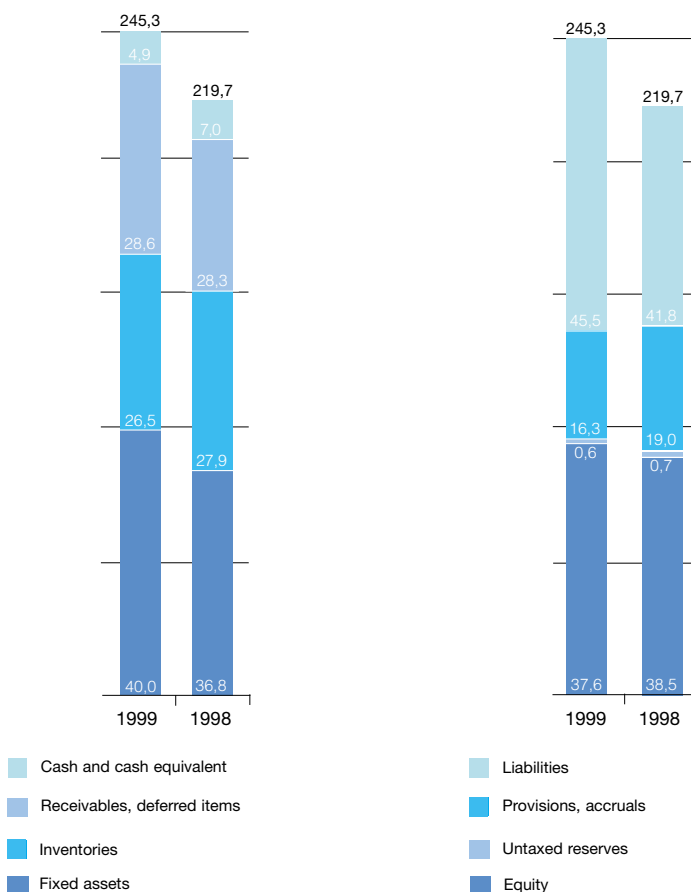
Equity rose by 9% to € 92.2 million

Group cash flow from result increased by 3.7%, from € 20.9 million to € 21.7 million. In contrast, cash flow from operating activities decreased from € 19.4 million to € 1.7 million, largely as a result of a strong increase in customer receivables and a decrease in the volume of deposits received. Cash flow from investment activity reached - € 26.3 million, a new high in the history of the company.

Due to this strong investment activity, net debt to credit instituti-

ons rose by € 11.7 million compared with the previous year's balance sheet date, and now amounts to € 27.6 million. We took up a ten-year loan of € 17 million, a financing horizon better matched with the investments in fixed assets and associates. There was an increase of 11.7% in the balance sheet total, largely as a result of the expansion of the number of consolidated companies, and at the same time, equity was increased by 9%, from € 84.7 million to € 92.2 million.

Balance sheet structure of the BWT Group (in %)



This meant that the equity ratio was held at the high level of 37.6% of the balance sheet total. Return on equity was 20.5% in 1999 (1998: 24.5%)

Contingent liabilities were lowered from € 37.9 million to € 34.5 million, mainly as a result of lower requirements for financial indemnifications in the project engineering business.

BWT AG's equity amounted to € 57.9 million in 1999 (56.8% of the balance sheet total). The comparable previous year's figures were € 57.0 million (69.5%). In particular, the balance sheet of the group parent company was characterised by strong investment activity, with financing stemming largely from the loan mentioned earlier.

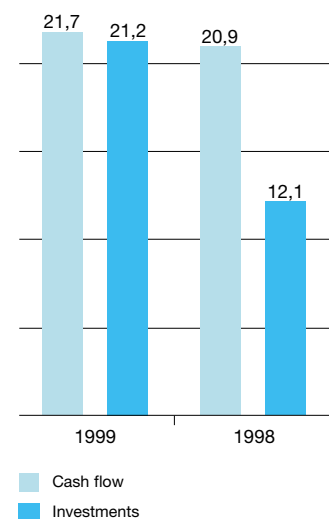
Investments

1999, a year of strong investment activity

Total additions to fixed assets without first-time consolidations amounted to € 21.2 million at BWT Group (previous year: € 12.1 million). Of this, € 2.7 million were dedicated to the modernisation of the electronic data processing system and the purchase of patents. Purchases of tangible assets amounted to € 8.1 million, with the completion of the new Logistic and Research & Development Centre at the Mondsee headquarters accounting for about one quarter of this. Further substantial purchases regarding tangible assets included € 2.5 million for new machinery and technical equipment and € 0,6 million each were spent on computer hardware and replacements of the fleet. The largest part of investments in financial assets (a total of € 10.4 million) stems from the increase in the participation in the Swiss Christ AG, a 5% purchase in the Japanese Nomura Micro Science and the purchase of a share in Wiener Börse AG.

Around three quarters of total group investments were transacted by the group parent company, BWT AG. (€ 16 million, compared with the previous year's figure of € 6.6 million).

Cash flow/Investments
BWT Group
(in € million)



Management Report 1999

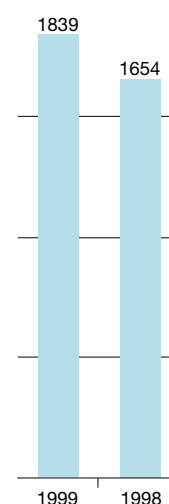
Personnel

1,839 employees

The dynamic business development of the past few years is the result of successful work of the highly motivated and qualified BWT employees who are daily working towards the realisation of BWT's value strategy. At BWT Group level, the number of employees rose from 1,654 by 185 to 1,839 at the balance sheet date. The increase is largely due to new companies (Van der Molen Group) and the expansion of production capacities. The average number of employees during the year under review was 1,747 representing an increase over the previous year of 12.2%. Due to the move of the service and assembly division into a separate entity, the number of employees at BWT AG was reduced by 64 compared to the previous year. Overall, personnel as of 31.12.1999 consisted of 100 production workers, 196 administrative employees and 10 trainees.

BWT's executive board is particularly grateful to the many highly motivated employees for their contributions to the continued development of the Best Water Technology Group in all of the company's divisions.

Number of employees at BWT Group (as of 31 December)



Research and Development

R&D centre in Mondsee completed

Research spend was increased by 20.3% from € 5.9 million in 1999 to € 7.1 million. At the Mondsee location, a new R&D building for increased activities in basic research was completed. This means that the highly motivated BWT research team now has the most modern infrastructure at its disposal, enabling realisation of BWT's

strategy "Growth through innovation".

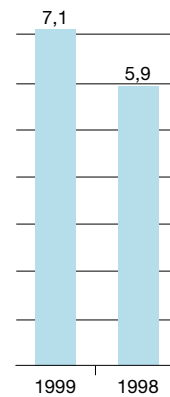
The research and development activities of the BWT Group are concentrated at the Mondsee (Austria), Schriesheim and St. Ingbert (D) and Paris (France) locations, as well as the associate Christ in Aesch/Basle (Switzerland). It is the stated aim of BWT's

R&D department to continuously minimise or obviate altogether the use of chemicals in water treatment processes, to reduce energy consumption and to manage rising water treatment costs by means of closed cycle solutions. BWT has set itself the task of developing economical and ecological product and process concepts for the entire water cycle, from source back to earth.

Unique research achievements, such as the bipolar electrode in the AQA total limescale protection device or FuMa-Tech's recently presented high-performance membrane for fuel cells, as well as the knowledge of having an outs-

tanding research team, are reasons for our continued optimism for a successful future development of the Best Water Technology group of companies.

R&D Expenditure
(in € million)



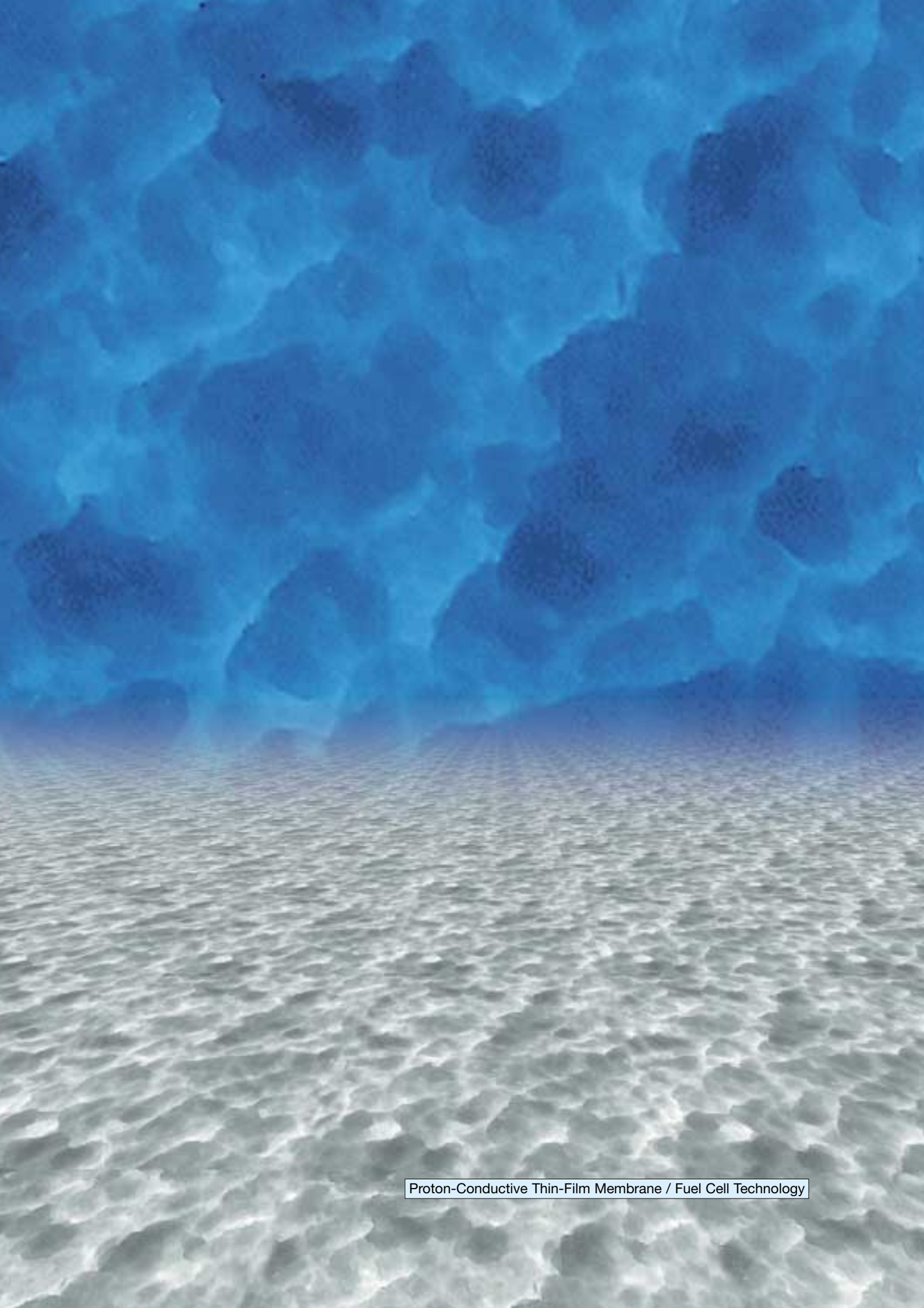
Outlook for 2000

Target for 2000:
Group turnover € 295 million,
ÖVFA result € 17 million

For the current business year 2000, BWT anticipates an increase in the consolidated group turnover to € 295 million, equivalent to an increase of 11.1% compared with 1999 (€ 265.5 million). The planned result calculated on the basis of the ÖVFA formula for the year 2000 amounts to more than € 17 million and once again shows a double digit growth rate.

After the invention of the unique limescale protection device AQA total, the great efforts of BWT's basic research division lead to further success at the beginning of the year 2000: BWT FuMA-Tech

introduced an entirely new high-performance membrane which opens up wholly new possibilities for fuel cells, the environmentally friendly energy source of the future. The presentation of the research results contributed to the positive share price development of BWT shares at the Vienna stock exchange and in the long term, will open up additional market potentials for the Best Water Technology Group. Soon, fuel cells may become the energy source for laptop computers, mobile telephones, and for electricity and heat generation in households or energy for modern automobiles.



Proton-Conductive Thin-Film Membrane / Fuel Cell Technology

Highlights of the year 1999

AQA total receives international accolades

In March, the unique limescale protection technology in AQA total drinking water treatment devices had already been awarded the DVGW (German Association of Gas and Water Installers) certificate at the ISH international trade fair in Frankfurt. Some months later, the ÖVGW – the Austrian equivalent to the DVGW – awarded the important ÖVGW quality seal to the entire product range (type 1500 to type 14000).

The SVGW award, as well as awards by the French CEBTP and

the American SECTRUMLAB are the basis for the rapid internationalisation of the worldwide first drinking water treatment for sanitary installations which has been awarded these certificates.

AQA total will be expanded into an international brand name and at the same time,

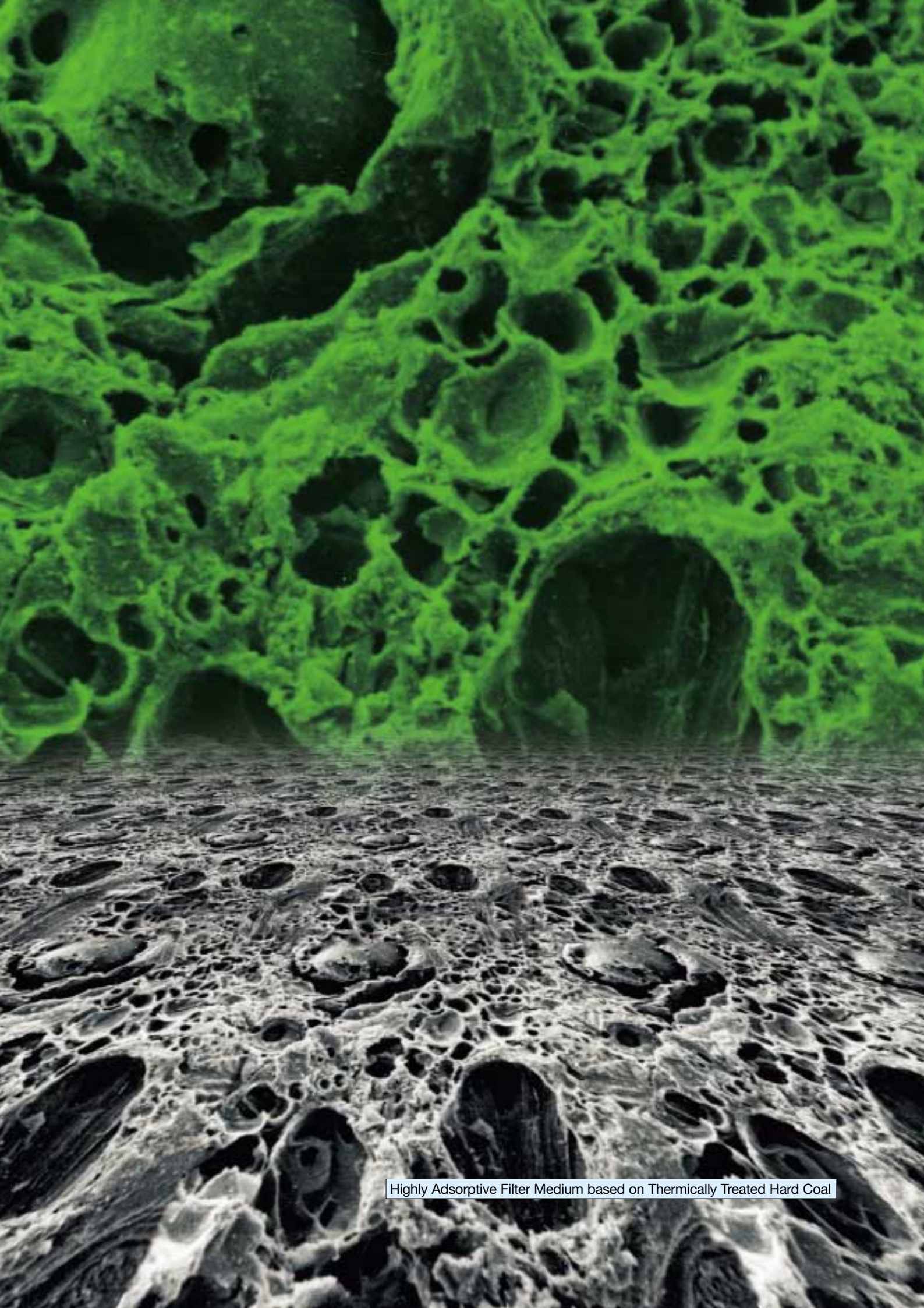
represents the opportunity for an ecology-oriented mass market in the water treatment



Increase in the participation in Christ AG to 33.5%

In July 1999, BWT AG increased its participation in the internationally active ultra pure water specialist to 33.5%. In Europe, Christ is market leader in the area of water treatment for the pharmaceuticals and microelectronics industry, and in Switzerland it is also market leader in standard instruments. The increase in the participation took place during a period of reorientation of the microelectronics industry, and therefore did not affect any new investments, as had been the case during the previous year. These difficult market conditions and certain special projects at the local Christ swimming pool companies led to significant losses, which – amplified by the increase in the participation – affected BWT's result.





Highly Adsorptive Filter Medium based on Thermally Treated Hard Coal

Alliance with the Japanese
Nomura Micro Science

BWT was able to continue to expand its international network of cooperation partners with the purchase of 5% of the shares of Nomura Micro Science Co. Ltd. Nomura is one of the leading ultra-pure water treatment companies for the semiconductor industry and has leading market positions in Korea, Taiwan and significant market shares in the domestic Japanese market.



Purchase of 1% in
Wiener Börse AG

In order to signify its commitment to Vienna as a finance and stock market centre, BWT AG purchased 1% of the shares in Wiener Börse

AG (the Vienna stock exchange) in its role as a member of the placement syndicate for its privatisation.

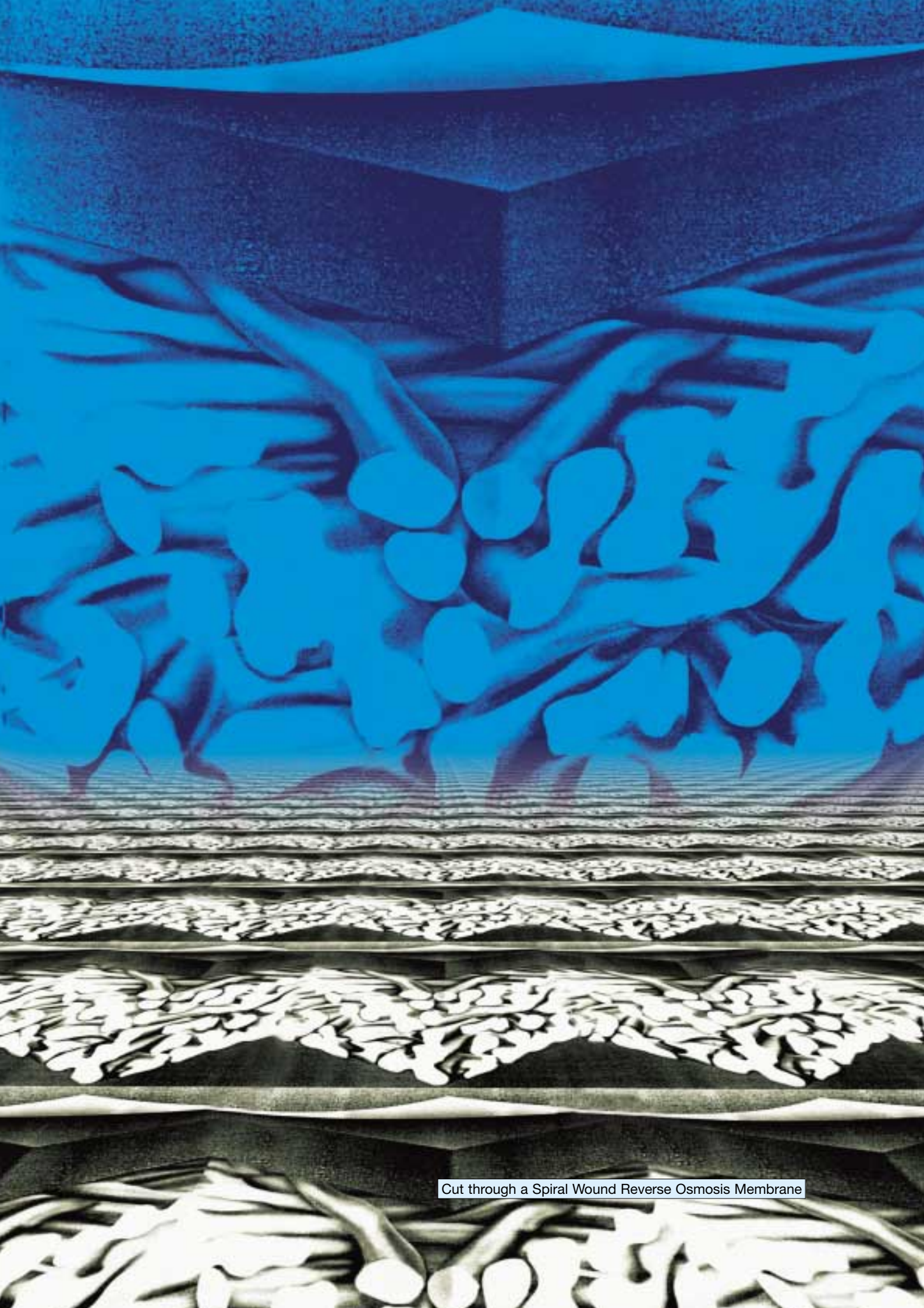
Majority participation in
Van der Molen Group

In July 1999, BWT Wassertechnik GmbH, a subsidiary of BWT AG, purchased 75% of the shares in Van der Molen Group. Van der Molen Group is located in Augsburg in Germany, has subsidiaries in the Netherlands, Singapore, Brazil and South Africa. It has been a competent partner for the beverages and food industries for decades.

Customers of Van der Molen GmbH include well-known soft drinks manufacturers, such as Coca Cola and Pepsi Cola, as well as leading fruit juice manufacturers. As a result of this bundling of core competencies, BWT now offers a comprehensive range of total solutions for water treatment, sirup and drinks manufacture, as well as for waste water neutralisa-

tion and recycling. The Van der Molen subsidiaries outside Europe are expected to support the BWT Group's continued internationalisation efforts.





Cut through a Spiral Wound Reverse Osmosis Membrane