

2005

Annual Report



Water Technologies for a Better Life

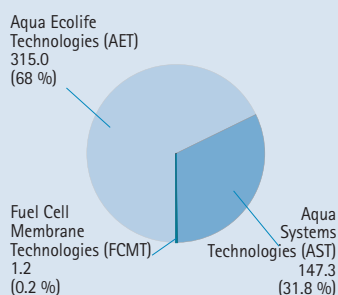


Overview		IFRS	IFRS	IFRS
		2005	2004	2003
Consolidated group sales	€ m	463.5	488.1	416.0
EBIT	€ m	27.0	24.9	13.6
Earnings before taxes	€ m	25.7	22.9	11.4
Consolidated earnings	€ m	19.0	17.1	7.7
Cash flow from result	€ m	31.2	30.2	21.2
Cash flow from operating activities	€ m	26.4	33.9	28.7
Number of shares*)	In 1000's	17,833.5	17,833.5	17,833.5
Earnings per share	€	1.06	0.96	0.43
Dividends and bonus per share	€	0.30**	0.270	0.240
Investment in tangible and intangible assets	€ m	11.2	10.3	6.3
Shareholders' equity	€ m	93.3	137.7	124.3
Employees as of 31.12.	persons	2.007	2.780	2.688

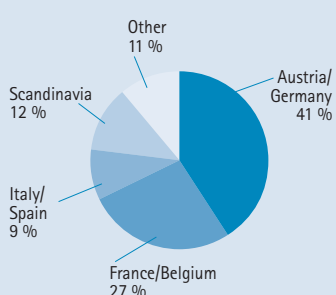
*) Previous years adjusted, 1:10 stock split in July 2000 **) proposal to the AGM

Summary balance sheet	2005		2004	
	€ m	%	€ m	%
Fixed assets	104.4	42.1	137.2	36.5
Inventories	44.6	18.0	53.4	14.2
Receivables, prepaid expenses	80.2	32.4	164.1	43.7
Liquid funds	18.6	7.5	21.0	5.6
BALANCE SHEET TOTAL	247.9	100.0	375.7	100.0
Shareholders' equity	92.8	37.4	136.9	36.4
Minority interests	0.6	0.2	0.8	0.2
Provisions and accruals	50.5	20.4	55.5	14.8
Liabilities and deferred income	104.0	42.0	182.5	48.6

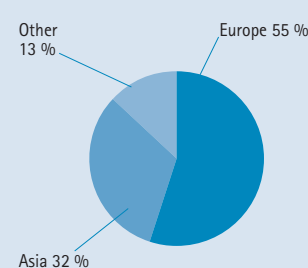
Sales 2005 by business segment
(in € million)



Sales 2005 by business segment AET
(in %)



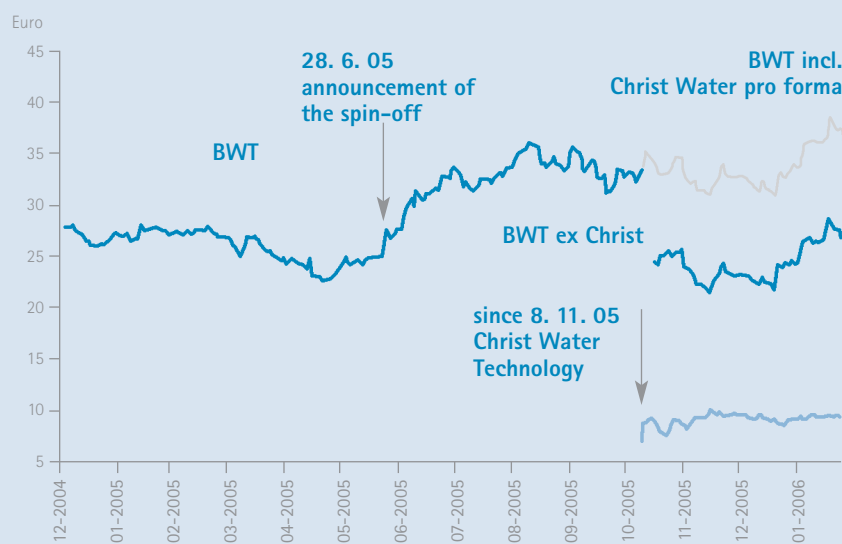
Sales 2005 by business segment AST
(in %)



IFRS	IFRS	IFRS	IFRS	HGB	HGB	HGB
2002	2001	2000	1999	1998	1997	1996
431.0	419.5	399.0	245.3	229.1	190.5	168.9
24.4	26.1	25.2	18.7	20.2	13.9	9.8
20.4	21.4	22.2	14.8	18.6	15.8	16.8
15.2	15.2	15.4	9.3	14.4	12.8	12.2
32.0	28.8	25.4	17.2	20.9	19.7	18.0
31.6	4.3	27.9	2.6	-	-	-
17,833.5	17,833.5	16,500	16,500	16,500	16,500	16,500
0.85	0.90	0.93	0.56	0.87	0.78	0.74
0.240	0.220	0.220	0.211	0.203	0.203	0.196
9.6	14.9	16.7	12.3	11.3	6.3	7.3
123.4	111.2	97.9	85.3	84.7	74.2	62.9
2.466	2.511	2.510	1.839	1.654	1.457	1.358

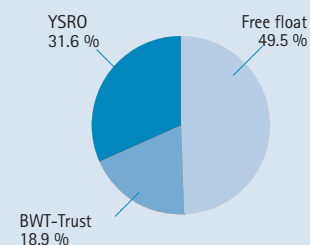
Share price*)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
High	€ 36,15	27,84	14,84	29,81	42,50	40,60	19,35	19,84	17,22	10,57	12,28
Low	€ 21,65	15,25	8,60	8,39	21,90	13,04	12,93	13,15	9,05	7,63	6,90
Closing price	€ 23,25	27,84	14,79	9,65	24,50	35,35	13,35	18,89	14,24	8,13	7,52
P/E (closing price)	€ 22	30	34	11	27	38	24	22	18	11	13
Market value in	€ 415	496	264	172	437	583	220	312	235	134	124

*) Pre-2000 years adjusted, 1:10 stock split in July 2000, IPO price 1992: € 7.45



Source: Wiener Börse AG

Shareholder structure



Company Profile

The Best Water Technology Group was formed in 1990 from a management buy-out and is today Europe's leading provider of water technology. The goal of our 2,000-plus employees in 40 group companies is to provide private, company and municipality customers with innovative technologies that deliver maximum safety, hygiene and health in their daily contact with the elixir of life, water.

Our strengths – developing, producing and marketing efficient and ecological treatment technologies to handle the life-giving and essential production element of water in a way that preserves resources – opens up global market opportunities for BWT, which we dynamically exploit.

The **Aqua Ecolife Technologies (AET)** segment offers one-stop water treatment solutions for drinking water, heating water, cooling water, and water for air conditioning systems, along with services for individual homes, hotels, trade and industry, and everyone who values safety, hygiene, health, and the protection of all water-conducting installations and devices from dirt particles, corrosion, limescale etc. Our comprehensive product portfolio includes all water treatment technologies, in the development of which we made a significant contribution: filters, limescale protection/water softeners, disinfection (UV, ozone), metering technology, membrane technology and hygiene management (prevention of legionella). BWT is a technological pioneer in key areas, which has significantly contributed to the awareness of our market-leading brands BWT, Cillit, CAE, HOH and Permo.

The **Fuel Cell Membrane Technologies (FCMT)** segment develops high-performance membranes for the fuel cell industry. Successes in cost reduction and efficiency improvement combined with sharp rises in energy costs in recent years make fuel cells a promising technological alternative for a new era of power generation.

Subsidiaries and associates of the BWT Group now cover all of Europe. Outside Europe, there is a promising network of dealers.

Water and ecologically friendly technologies will also remain our priority in the future. The elixir of life that is water, the rising world population and the growing requirements for sanitary installations are opening up extremely promising business opportunities for us. By building on our strong European market position, we are working consistently toward realizing our vision:

BWT – the leading international water technology group.



BWT Group according to IFRS (International Financial Reporting Standards)

ANNUAL FINANCIAL STATEMENTS

2005

I. BWT Group: Consolidated profit and loss account for the 2005 financial year

	Note	2005 in € 1000's	2004 in € 1000's
SALES	(1)	463,538.8	488,103.9
Other operating income	(2)	5,754.2	7,213.2
Change in inventory of finished and unfinished products		387.3	1,497.2
Other capitalised labour, overheads and material		3,010.7	920.5
Materials and purchased services	(10)	-216,929.7	-242,140.7
Personnel expenses	(3)	-142,110.0	-141,909.5
Depreciation	(4)	-9,808.6	-13,173.4
Other operating expenses	(5)	-76,829.8	-75,638.5
RESULT FROM OPERATING ACTIVITIES		27,012.9	24,872.7
Financial income	(6)	2,934.9	1,173.2
Financial expenses		-4,207.7	-3,189.2
EARNINGS BEFORE TAXES		25,740.1	22,856.7
Taxes on earnings	(7, 15)	-6,673.3	-5,578.2
NET PROFIT		19,066.8	17,278.5
Of which:			
Shareholders of the parent company		18,969.4	17,106.4
Minority shareholders	(16)	97.4	172.1
Earnings per share (in €):	(27)		
Undiluted = Diluted		1.06	0.96
Number of shares issued		17,833,500	17,833,500

II. BWT Group: Consolidated balance sheet as at December 31, 2005

ASSETS	Note	31.12.2005 in € 1000's	31.12.2004 in € 1000's
Goodwill	(8)	26,631.4	43,304.6
Other intangible assets	(8)	12,664.4	13,175.0
Tangible assets	(8)	49,135.9	73,609.3
Financial assets	(9)	16,017.4	7,143.5
Trade receivables	(11)	145.6	127.4
Receivables from long-term orders	(11, 12)	0.0	4,302.6
Receivables from companies with which a participation is held	(11, 12)	131.6	0.0
Other receivables from third parties	(13)	836.0	1,987.7
Deferred tax claims	(15)	6,514.4	14,409.6
Long-term assets		112,076.7	158,059.7
Inventories	(10)	44,641.2	53,383.0
Trade receivables	(11, 12)	61,283.8	80,550.8
Receivables from long-term orders	(11, 12)	4,585.9	39,315.1
Receivables from companies with which a participation is held	(11, 12)	49.8	319.9
Income tax reimbursement claims	(11, 13)	2,218.0	1,743.7
Other receivables from third parties	(11, 13)	2,867.2	19,671.4
Liquid funds	(14)	18,559.8	20,982.5
Deferred income		1,601.3	1,712.9
Short-term assets		135,807.0	217,679.3
TOTAL ASSETS		247,883.7	375,739.0

EQUITY AND LIABILITIES		Note	31.12.2005 in € 1000's	31.12.2004 in € 1000's
Share capital			17,833.5	17,833.5
Capital reserves			17,095.8	17,095.8
Retained earnings			58,888.4	102,536.4
Other reserves			-1,060.9	-533.3
			92,756.8	136,932.4
Minority interests	(16)		585.5	766.4
Equity capital	(16)		93,342.3	137,698.8
Provisions for social overhead capital	(17)		28,217.9	27,093.5
Deferred tax liabilities	(15)		3,710.4	4,915.6
Other accruals	(18)		801.6	2,791.6
Bonds	(19, 20)		17,000.0	17,000.0
Interest-bearing financial liabilities	(20, 25)		11,690.2	23,623.3
Other liabilities	(20)		1,110.7	1,492.2
Long-term liabilities			62,530.8	76,916.2
Current tax liabilities			3,357.6	2,948.2
Other provisions	(18)		14,460.1	17,791.8
Interest-bearing financial liabilities	(20, 25)		26,183.3	55,102.8
Trade payables	(20)		27,657.1	50,763.2
Liabilities to companies with which a participation is held	(20)		72.6	341.0
Other liabilities	(20)		20,010.7	32,651.7
Deferred income	(21)		269.2	1,525.3
Short-term liabilities			92,010.6	161,124.0
TOTAL LIABILITIES			247,883.7	375,739.0

III. BWT Group: Cash flow statement for the 2005 financial year

	Note	2005 in € 1000's	2004 in € 1000's
Net profit		19,066.8	17,278.4
- Profit (+ loss) from the sale of fixed assets		76.5	-1,300.5
+ Depreciation of tangible assets		7,338.9	7,675.5
+ Depreciation of intangible assets		2,469.7	5,494.8
+ Depreciation of financial assets		0.0	3.2
+ Allocation (- writeback) of long-term accruals		2,287.5	1,054.9
CASH FLOW from result		31,239.4	30,206.3
- Increase (+ reduction) in inventories, including advance payments		-933.3	-1,027.4
- Increase (+ reduction) in trade receivables, deferred taxes and prepaid expenses		-14,192.8	-800.8
+ Increase (- reduction) in advance payments received and deferred income		2,456.0	3,975.3
+ Increase (- reduction) in trade payables and other liabilities		580.4	-498.6
+ Increase (- reduction) in short-term accruals (including allocation of deferred taxes)		7,254.8	2,060.7
CASH FLOW from operating activities	(23)	26,404.5	33,915.5
- Investment on tangible and intangible assets		-8,824.6	-10,324.4
- Investment on financial assets		-156.8	-349.1
+ Inflows from disposals of tangible assets, intangible assets and other financial investments		2,419.4	5,809.8
- Outflows for the acquisition of minority shares and the acquisition of participations		-350.0	-4,913.2
CASH FLOW from investment activities	(24)	-6,912.0	-9,776.9
- Dividends paid out		-4,815.1	-4,280.0
+ Change in minority shares		0.0	363.1
+ Change due to disposal of CHRIST		-18,698.3	0.0
+/- Change in notes payable		-707.4	244.9
+/- Change in long-term financial liabilities		-11,308.1	-6,235.3
+/- Change in short-term financial liabilities		14,238.1	-8,694.5
CASH FLOW from financing activities		-21,290.8	-18,601.8
+/- Cash flow from operating activities		26,404.5	33,915.5
+/- Cash flow from investment activities		-6,912.0	-9,776.9
+/- Cash flow from financing activities		-21,290.7	-18,601.8
Change in liquid funds		-1,798.2	5,536.8
Liquid funds at beginning of year		20,982.5	16,327.7
+/- Impact of exchange rate differences		-624.5	-882.0
Liquid funds at yearend		18,559.8	20,982.5
Breakdown of liquid funds	(14)		
Cash, checks, deposits with banks		18,549.3	20,972.2
Cash equivalents		10.5	10.3
		18,559.8	20,982.5

Other information:

	2005 in € 1000's	2004 in € 1000's
Interest received	508.3	397.3
Interest paid	2,234.0	3,016.1
Tax payments	6,474.2	6,070.9

IV. BWT Group: Changes in shareholders' equity

	Share capital	Capital-reserves	Retained earnings	Other reserves	Total	Minority shares	Total
	in € 1000's	in € 1000's	in € 1000's	in € 1000's	in € 1000's	in € 1000's	in € 1000's
As at January 1, 2004	17,833.5	17,095.8	91,045.6	-1,056.6	124,918.3	246.0	125,164.3
Net attributable profit	0.0	0.0	17,106.4	0.0	17,106.4	172.1	17,278.5
Currency translation	0.0	0.0	0.0	523.3	523.3	-14.8	508.5
Profits/losses offset in equity	0.0	0.0	-1,335.5	0.0	-1,335.5	0.0	-1,335.5
Result for the entire period	0.0	0.0	15,770.9	523.3	16,294.2	157.3	16,451.5
Dividend payment	0.0	0.0	-4,280.1	0.0	-4,280.1	0.0	-4,280.1
Change in minorities	0.0	0.0	0.0	0.0	0.0	363.1	363.1
As at December 31, 2004	17,833.5	17,095.8	102,536.4	-533.3	136,932.4	766.4	137,698.8
Net attributable profit	0.0	0.0	18,969.4	0.0	18,969.4	97.4	19,066.8
Currency translation	0.0	0.0	0.0	-527.6	-527.6	-19.1	-546.7
Profits/losses offset in equity	0.0	0.0	-1,304.6	0.0	-1,304.6	0.0	-1,304.6
Result for the entire period	0.0	0.0	17,664.8	-527.6	17,137.2	78.3	17,215.5
Dividend payment	0.0	0.0	-4,815.1	0.0	-4,815.1	0.0	-4,815.1
Spin-off CHRIST Group	0.0	0.0	-56,497.7	0.0	-56,497.7	0.0	-56,497.7
Change in minorities	0.0	0.0	0.0	0.0	0.0	-259.2	-259.2
As at December 31, 2005	17,833.5	17,095.8	58,888.4	-1,060.9	92,756.8	585.5	93,342.3

Breakdown of income and expense included in changes in shareholders' equity.

	2005 in € 1000's	2004 in € 1000's
Actuarial profits/losses	-2,174.0	-2,050.3
of which tax-related	869.4	714.8
Income and expenditure recorded directly in equity	-1,304.6	-1,335.5
Of which to:		
Shareholders of the parent company	-1,304.6	-1,335.5
Minority shares	0.0	0.0

NOTES TO THE BWT GROUP, CONSOLIDATED FINANCIAL STATEMENTS

BWT GROUP



2005

V. Notes 2005

General notes

The consolidated financial statements of BWT Aktiengesellschaft, based in Austria, 5310 Mondsee, Walter-Simmer-Straße 4 were prepared in accordance with Article 245a of the Commercial Code and in line with the principles of International Financial Reporting Standards (IFRSs), as they are to be applied in the EU, under the responsibility of the Management Board.

The entire financial statements for the 2005 and 2004 financial years are prepared in € 1,000 (rounded in line with commercial rounding methods). When adding rounded amounts and percentages, the use of automated calculation aids may result in differences due to rounding.

Spin-off

In the course of a so-called pro-rata spin-off for inclusion, the 100 % participation of BWT Aktiengesellschaft in CHRIST WATER TECHNOLOGY AG, and thus the entire "AST – Aqua Systems Technologies" business segment was spun-off to CHRIST WATER TECHNOLOGY AG with legal effect from November 8, 2005. As a result, the shareholders of BWT Aktiengesellschaft also received, for each share held in BWT on the above date, a share in CHRIST WATER TECHNOLOGY AG.

The direct participation of BWT shareholders in CHRIST thus became, on November 8, 2005 (pro-rata), an indirect participation in CHRIST. At the same time, the shares of CHRIST WATER TECHNOLOGY AG were introduced to the Vienna stock exchange, where the securities have been listed on the Prime Market since November 8, 2005.

The deconsolidation of CHRIST WATER TECHNOLOGY AG and its subsidiaries occurred on October 31, 2005 in accordance with the regulations of international accounting. This means that in these consolidated financial statements of BWT Aktiengesellschaft, the "AST – Aqua Systems Technology" business segment is included with the results until October 31, 2005 in the consolidated profit and loss account and that the consolidated balance sheet of BWT Aktiengesellschaft as at December 31, 2005 no longer contains reporting date values of the CHRIST Group. The reciprocal accounts receivable and liabilities are treated as being due from/due to third parties in the balance sheets of BWT – and those of the CHRIST Group – as at December 31, 2005.

Fundamental differences

Differences between IFRS and Austrian accounting principles

As Austrian accounting legislation stresses the protection of creditors, the principle of commercial caution has been accorded a significant role. Equally, the appropriateness of the company's commercial financial statements for tax purposes leads to corresponding influences on financial statements compiled in line with the Austrian Commercial Code.

In contrast, the primary aim of accounting according to IFRS is the provision of information relevant for the decisions taken by shareholders and investors. As a result, in IFRS, the comparability of financial statements – over a period of time, as well as among companies – is given a higher priority than in the Austrian Commercial Code.

Goodwill arising from consolidation

According to IAS 22, goodwill arising from capital consolidation is capitalized and written off over its useful life, while the Austrian Commercial Code also allows goodwill to be offset against reserves. Corporate mergers are now subject to IFRS 3. Pursuant to this standard, goodwill is calculated as a residual value from the acquisition costs of the corporate acquisition and the net assets valued at their fair market value taking into account any contingent liabilities. Any goodwill calculated in this way will not be subject to scheduled write-downs but an impairment test pursuant to IAS 36 should be carried out at least once a year.

Tangible and intangible assets

In commercial legislation, the lengths of depreciation periods and periods of useful life are characterized by the principle of commercial caution. IFRS demand an ongoing reassessment of the actual useful lives. This leads to a tendency of applying longer useful lives in IFRS valuations. In order to evaluate any necessary need for write-downs, an impairment test in accordance with IAS 36 is to be carried out. In line with IFRS, internally developed intangible assets must be capitalized if the conditions for capitalizing assets are met. According to Austrian HGB, these assets cannot be capitalized.

Financial leasing

While in the allocation criteria laid down by the Austrian Commercial Code, leasing contracts are usually qualified as operating leases with the leased object continuing to be owned by the lessor, IAS 17 (revised 2003) calls for a valuation from a commercial viewpoint and not a valuation based solely on the contractual relationship. Under certain conditions, a leasing contract may therefore be classified as a finance lease. In those cases, the leased objects are to be allocated to the lessee in whose financial statements they are to be reported as assets at purchase value, with the obligation to the lessor being recorded as a liability.

Inventories

In inventories, write-downs as a result of decreased market prices are only carried out if the book values are not covered by their sales prices.

Receivables from long-term orders

In Austrian commercial legislation, sales and profit are only to be realized after the complete delivery of the goods or services to the customer (completed-contract method). In accordance with IAS 11 (revised 1993), long-term orders can be accounted for using the percentage-of-completion method which takes into account delivery progress with proportionate realization of profits, with the degree of completion either derived from a detailed project progress report (stage-of-completion method), or computed from costs incurred in relation to the estimated total cost of the project (cost-to-cost method).

Financial assets

Short-term financial assets are posted at market values (prices at the balance sheet date). In contrast to the Austrian Commercial Code, any write-up in the value of the asset is not restricted to its original purchase price.

Valuation of foreign currencies

There is a difference between the two accounting methods in the assessment of unrealized profits from foreign currency valuations on the balance sheet date. In Austrian law, only unrealized losses are to be accounted for in keeping with the imparity principle, while in IFRS unrealized gains must also be accounted for, with currency fluctuation therefore impacting on results in every case.

Deferred taxes

The tax effects of the differences in timing between tax financial statements according to Austrian law and the IFRS financial statements are represented by setting up positions for deferred tax claims and deferred tax liabilities. With IFRS, deferred tax claims are also to be formed for tax loss carry forwards, if these losses are expected to be utilized by future taxable profits.

Personnel provisions

In the Austrian Commercial Code, provisions for pensions are formed without regard to increases in salaries, using the partial-value method or current-value method and a discount rate, generally of 4%. The valuation of future severance payments and anniversary bonuses is generally carried out using actuarial discount rates of 4 % or 5 %, ignoring actual increases in salaries. In line with IAS 19 (revised 2004), personnel provisions (provision for pensions and similar obligations, provisions for severance payments) are calculated according to the projected-unit-credit method. The interest rate is determined by deploying current long-term interest rates in the capital markets at the balance sheet date, with future salary increases being taken into account for the period to the employees' retirement. As a result, during its accumulation phase, the provision increases more rapidly than if the method prescribed by Austrian Commercial Law were used.

Other provisions

The definition of provisions in IFRS is based on a different understanding of the principle of caution compared with Austrian commercial law. According to IFRS, the value of the provision is determined by the value that has the highest probability, and not – as is the case in Austrian commercial law – the value arising from applying the principle of commercial caution. While the formation of expense reserves is permissible in Austrian commercial law, they are not permitted in IAS 37.

Extended publication requirements, duty to provide information

Within the framework of IFRS accounting, there is an obligation to provide detailed explanations in the notes on individual positions of the balance sheet, the profit and loss account, the cash flow statement and the development of equity. The objective is to convey a true and fair view of the company in the annual financial statements. Beyond this, there are further information requirements, in particular regarding the business divisions, associated companies and derivative financial instruments, which are not covered by Austrian commercial law to this extent.

General notes

Fundamentals

The BWT Group, headquartered in Mondsee, Austria, is Europe's leading water treatment technology group, offering water treatment products and solutions for the entire water cycle, "from source back to earth". The innovative product range corresponds to the state of the art and is optimized in line with ecological and economic criteria.

BWT Aktiengesellschaft has a worldwide presence through 40 subsidiaries and had 2,007 employees as of December 31, 2005 (previous year: 2,780).

The business activities are divided into four business divisions:

Aqua Ecolife Technologies: In this business division, BWT offers innovative water technology products for the treatment of drinking water, process water, and swimming pool water (filter technologies, limescale protection, softeners, disinfection etc.)

Aqua Systems Technologies: This business division concentrates on customer-specific high-tech water treatment systems. The focus is on the pharmaceutical industry, the semiconductor industry, the food and beverage industry, the power generation industry, as well as the treatment of municipal drinking and waste water. The Aqua Systems Technologies business segment was fully deconsolidated by the end of October 2005 as part of the pro rata spin off of CHRIST WATER TECHNOLOGY AG.

Fuel Cell Membrane Technologies: This business division concentrates on the development and the distribution of so-called "proton exchange membranes", the heart of the new energy source "fuel cell".

Aqua Finance: This division covers real estate administration and other financial participations.

The accounting methods of the companies included in the scope of consolidation are based on the uniform accounting rules of the BWT Group based on the principles of IFRS.

In keeping with IAS 27, the balance sheet date of the consolidated financial statements is identical with the balance sheet date of the parent company. The annual financial statements of companies fully and partially consolidated were prepared on the basis of historical purchase and production costs. In order to improve clarity of presentation, certain positions of the balance sheet and in the profit and loss account were combined. A detailed presentation is supplied in the notes.

Scope of consolidation

An overview of the material fully consolidated companies can be found in Appendix V.1. Apart from BWT AG, the consolidated balance sheet as at December 31, 2005 includes 40 fully consolidated subsidiary companies (previous year: 66). One subsidiary was consolidated using the proportional method (previous year: 1). The Aqua Systems Technologies business division, with its 29 companies (27 fully consolidated, 2 consolidated using the proportional method) was deconsolidated on October 31, 2005. One company was not consolidated due to its insignificance.

The scope of consolidation during the 2004 reporting year developed as follows:

Position on January 1, 2005	68
First-time consolidation in reporting year	4
Merged during reporting year	-2
Deconsolidated in reporting year	-29
Position on December 31, 2005	41

Shares in consolidated companies owned by minorities are stated separately. The shares in profit included in the profit and loss account but allocated to minorities are identified separately in the profit and loss account.

Consolidation method

Capital consolidation takes place according to the purchase method by offsetting costs against the pro rata identifiable assets and liabilities relating to the parent company. From January 1, 1995 until 2004, asset surpluses were capitalized as goodwill and amortized on a straight-line basis over their useful life. Straight-line amortization has now been replaced by annual impairment testing in line with the provisions of the new IFRS 3 (Business Combination) in conjunction with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets). Surplus liabilities from first-time consolidation, which are the result of negative income expectations for the future, are allocated to other reserves.

Other participations are reported at their acquisition costs.

Inter-company receivables and liabilities, expenses and earnings as well as intra-group earnings are eliminated if they are not immaterial.

Currency translation in the Group

Currency translation of foreign accounts is carried out using the concept of functional currencies. This is the respective national currency in every case, as the companies operate their businesses independently in financial, commercial and organizational terms.

Apart from equity positions, all the balance sheet positions were translated at the current exchange rate on December 31, 2005. The individual positions of the consolidated foreign companies' profit and loss accounts were translated at the average exchange rate of the period. Differences from currency translation are reported as a component of equity neutral to earnings. Where a foreign company is deconsolidated, the differences from currency translation are reported in the profit and loss account.

The principal currencies' exchange rates used for currency translation (outside the Euro-zone) developed as follows:

		Exchange rate at		Average exchange rate	
		31.12.2005 €	31.12.2004 €	2005 €	2004 €
100	Swiss France	64.28	64.72	64.58	64.72
100	British Pound	145.35	141.64	146.34	147.14
100	Hungarian Forint	0.40	0.41	0.40	0.40
100	Czech Koruna	3.44	3.31	3.35	3.13
100	American Dollar	84.41	73.20	80.84	80.29
100	Swedish Krone	10.65	11.08	10.75	10.95
100	Israeli Shekel	18.38	17.15	17.97	17.15
100	Chinese Renminbi	10.66	9.06	10.06	9.06
100	Singapore Dollar	50.77	45.20	48.61	45.31
100	Taiwan Dollar	2.58	2.29	2.51	2.33
100	South African Rand	13.38	12.93	12.72	12.93
100	Arabic Dirham	23.01		22.05	
100	Brazilias Real	36.34		33.61	

Accounting and valuation principles

Intangible assets and tangible assets

Intangible and tangible assets are valued at their purchase or production costs, reduced by scheduled straight-line depreciation. The production costs, in addition to unit costs, contain appropriate proportions of material and production overheads. Expenses relating to general administration and interest payable are not capitalized.

Assets are depreciated from the point in time at which they are available for use. Straight-line depreciation is charged over the expected useful life of the respective asset. The expected economic useful life is taken into account when determining the probable useful life.

An impairment test is carried out to determine the possible value impairment of tangible and intangible assets. Here the higher of the net disposal value and useful value (achievable value) which is calculated as the present value of the associated future financial inflows and outflows is compared against the current book value. If an evaluation based on an individual appraisal is not possible, it is made on the basis of the higher cash-generating unit. If the book value is higher, an impairment of the achievable amount is carried out. If the reasons for the implementation of non-scheduled depreciation no longer apply, the asset is written up to a value no higher than its purchase or production prices less scheduled depreciation. Maintenance is carried as expenditure as long as it does not materially alter the nature of the asset in question.

A positive difference in value arising from a company merger is carried as goodwill and subject to scheduled depreciation in line with the expected useful life. Additionally, the remaining goodwill is compared to its economic value on each balance sheet date. Any decreases in the future value are booked as value impairment. From the initial application of IFRS 3 in conjunction with IAS 36 and IAS 38 from 2005 onward, annual impairment testing is carried out on the basis of cash-generating units (CGUs) to establish the value of existing goodwill.

For intangible assets constructed by the company, the production time is divided into a research and a development phase. Costs incurred during the research phase are charged to the profit and loss account immediately. Expenses arising during the development phase are capitalized as intangible assets (in line with IAS 38), if certain conditions relating to the future use of the disbursed expenses apply, above all the technical viability of the developed product or process. The valuation of assets constructed by the company is carried out using production costs less scheduled and unscheduled depreciation.

The depreciation of intangible assets and of consumable assets is performed on a straight-line basis over the expected economic lifetime of the respective asset. When evaluating the depreciation rates, the following economic lifetimes were assumed. These are unchanged from the previous year.

When evaluating the depreciation rates, the following economic lifetimes were assumed. These are unchanged from the previous year:

	Useful life in year	
	from	to
Intangible assets		
Software	3	5
Patents, trade marks	5	10
Tangible assets		
Buildings	20	50
Investments in buildings of third parties	10	20
Machinery	3	10
Business equipment	3	10

Leasing and rental properties

Leasing and rental contracts in which all risks and rewards arising from the use of the asset are being transferred to the Group, are treated as financing leases. At the point in time of purchase, the assets underlying the respective leasing or rent contracts are capitalized at the current value of future leasing or rental installments at purchase and depreciated over the duration of the lease period. The capitalized assets are offset by the net present values of the future liabilities arising from the unexpired portion of the leasing or rental contract as at the balance sheet date.

Assets used as a result of any other leasing or rental contracts are treated as operating leases. Rental payments are carried as expenses in the profit and loss account.

Financial fixed assets

Financials fixed assets are not held for trading purposes (see Note 9). If the actual intention and ability to hold the asset to final maturity exists, the asset is valued at purchase cost, and reduced by write-downs. If the reasons for the implementation of a write-down no longer apply, the asset is written up to a value no higher than its purchase price.

Part of the securities classified as financial assets are deemed to be available for sale. They are valued at purchase cost at the point in time of their acquisition and in later periods, at their respective current market values. Market values of securities are the values on the stock market on the balance sheet date.

Other participations, for which a market value cannot be determined, are valued at purchase cost reduced by any necessary write-downs.

Inventories

Valuation of inventories is carried out using the lower of purchase or production costs or net recovery value. The consumption of primary energy and raw materials and supplies was calculated using the average-cost method. If the turnover of certain stock is deemed to be too low, write-downs are carried out if necessary.

Receivables

Trade receivables and other short-term receivables are valued at nominal value or acquisition cost, if necessary reduced by value adjustments. Tax receivables are netted against tax liabilities if they are owed to the same tax authority.

Receivables from long-term orders

In keeping with IAS 11 (revised 1993), long-term orders are accounted for using the percentage-of-completion method with pro-rata realization of earnings, whereby the degree of completion is calculated using the cost incurred to date in relation to total estimated costs (cost-to-cost method).

Liquid funds

Short-term financial assets are carried under the heading liquid funds and valued at current value.

Provisions

The valuation of pension provisions and provisions for similar obligations, severance payments and anniversary bonuses is made according to IAS 19 (revised 2004) using the projected-unit-credit method. In this method, the expected benefits to be made by the company are distributed over the number of years of service with the company until retirement age. Salary increases expected in the future are taken into account. The amounts to be provisioned are calculated by an actuary for each balance sheet date on the basis of an actuarial study. As these benefit-orientated obligations are not tied to budgeted assets, they are valued in their full amounts.

Calculation of provisions for deferred tax liabilities is carried out using the liability method and the tax rate which is to be expected at the time of reversal of the limited time differences in line with the position on the balance sheet date.

Other provisions are formed in the amount of the uncertain obligations, whereby the best possible estimate of the outlay necessary for fulfillment is used.

Liabilities

Liabilities are carried at the higher of acquisition cost or repayment value. Liabilities in foreign currencies are valued at the current exchange rate of the currency concerned on the balance sheet date. Arrangement fees for loans are capitalized and written off over the duration of the loan.

Currency translation

Assets and liabilities accounted for in foreign currencies (currencies outside the Euro-Zone) are valued at the current exchange rate on the balance sheet date, in the case of hedged exchange rates they are converted into Euro at the hedged exchange rate. Write-ups and write-downs resulting from fluctuations in the values of foreign currencies are charged to the profit and loss account.

Earnings realization

Earnings from goods and services rendered are realized when all material risks and opportunities arising from the good delivered have passed to the purchaser.

In order for the progress of orders and the performance of the company to be reflected accurately over the accounting periods, long-term orders on the basis of a reliable estimate of the degree of completion, total costs and total revenues are generally assumed to realize the same proportion of the profit as is reflected in the progress of the order (percentage-of-completion method).

Posting of the fair value of financial instruments

The fair value of financial instruments is the amount on which a transaction is based between two independent business partners who are informed and willing to form a contractual relationship. Fair value is often identical to the market price. Fair value is therefore derived from the market information available on the balance sheet date. In view of varying determining factors, the values which are recorded here may differ from those which are realized at a later date.

Financial earnings

Financial expenses include interest payable on financing loans and financing leases, similar expenses and disbursements, currency losses and gains in connection with such financing, and results from currency hedging transactions.

Earnings from financial investments include interest payments, dividends and similar earnings arising from the investment of financial assets, and profits and losses from the disposal or the impairment of value of financial assets.

Taxes

Taxes on earnings charged during the financial year include the amounts payable by the individual companies from taxable earnings multiplied by the tax rate applicable in their respective countries ("actual taxes") and the changes in tax accruals.

The calculation of the tax accruals position is carried out using the balance-sheet-liability method for all temporary differences between the values of the balance sheet positions in the IFRS consolidated financial statements and their tax values recorded at the individual companies. Further, the likely tax advantages from existing loss carry forwards are included in the calculation. Differences from non-tax deductible goodwill and from the first time valuation of an asset or a debt, provided that certain conditions exist, are not included in tax accruals. Tax accrual assets are calculated on the following tax rates:

Country	Tax rate
Austria	25 %
Germany	40 %
France	35 %
Italy	37 %
Switzerland	25 %

Earnings per share

Earnings per share are calculated by dividing Group profit after minorities' shares in profits by the weighted average number of issued shares.

Estimates and competent authority discretions

For the purposes of compiling consolidated financial statements, estimates and assumptions have to be made to a certain extent which influence the value of assets and liabilities in the balance sheet, the identification of other liabilities on the balance sheet date and the amount of income and expenditure during the reporting period. The actual amounts may differ from these estimates. In particular, it can be difficult to estimate deferred tax claims due to deviations from expected events in the future.

Furthermore, the preparation of the consolidated annual accounts requires the determination of future developments. For example, for the valuation of existing social capital obligations, assumptions are used for the discount rate, retirement age, life expectancy and future salary and pension increases (see Note 17).

With regard to the current investigation by the German tax authorities concerning the use of loss carryforwards, it was assumed that the interpretation by the tax authority will lead to a tax assessment in accordance with the declaration due to a corresponding statement of the facts.

Segment reporting

In keeping with the management approach which is the basis of IAS 14 (revised 1997) in primary divisional reporting, company divisions should be defined along the lines of internal reporting structures. In geographical segment reporting, the segmentation is to be carried out by sales according to the location of the customer and, in the case of segment assets, according to the headquarters of the respective company.

Notes to the profit and loss account

The profit and loss account is compiled using the total cost method.

NOTE 1: Sales and segment reporting

Consolidated Group sales for the BWT Group were € 463.5 million and thus were 5 % below the previous year's figure of € 488.1 million due primarily to the spin-off of the Aqua Systems Technology business segment and the resulting lack of sales volume for November and December.

Sales in the Aqua Ecolife Technologies business segment increased by 0.9 % from € 312.1 million to € 315.0 million.

Sales in the Aqua Systems Technologies business segment declined by 15.0 % from € 173.2 million to € 147.3 million. This is due to the fact that this business segment is only included for 10 months in the consolidated profit and loss account.

In the Fuel Cell Membrane Technologies business segment, where the BWT subsidiary FuMA-Tech GmbH develops and markets high-quality specialist membranes for use in fuel cells, sales declined by 57.1 % from € 2.8 million to € 1.2 million.

Sales are broken down by business divisions (main breakdown) and regions (secondary breakdown). The breakdown according to business divisions is in keeping with the internal reporting structure of the Group. Netting between the individual divisions is carried out on an arm's-length basis.

The main breakdown encompasses the business divisions described above under "Fundamentals", the breakdown by region is carried out by sales according to the location of the customer and, in the case of divisional assets, according to the headquarters of the respective company.

Breakdown by business division

2005	Aqua Ecolife Technologies € 1000's	Fuel Cell Membrane Technologies € 1000's	Aqua Finance € 1000's	Elimination € 1000's	Sub-total € 1000's	Aqua Systems Technologies € 1000's	Elimination € 1000's	Total € 1000's
External sales	315,049.8	1,159.4	0.0	0.0	316,209.2	147,329.5	0.0	463,538.7
Internal sales	3,077.4	99.7	0.0	-3,177.1	0.0	2,078.3	-2,078.3	0.0
Total	318,127.2	1,259.1	0.0	-3,177.1	316,209.2	149,407.8	-2,078.3	463,538.7
Divisional earnings (EBIT)	26,312.5	-738.0	125.5	0.0	25,700.0	1,312.9	0.0	27,012.9
Financial result					-208.3	-1,064.5		-1,272.8
Taxes on earnings					-6,799.0	125.7		-6,673.3
Minority interests					-138.3	40.9		-97.4
Profit for the year					18,554.4	415.0		18,969.4
Earnings per share in €					1.04	0.02		1.06
Divisional assets	245,810.0	2,300.3	18,118.6	-18,345.2	247,883.7	0.0	0.0	247,883.7
Liabilities	154,392.5	1,216.3	17,277.8	-18,345.2	154,541.4	0.0	0.0	154,541.4
Investments	8,385.3	73.2	31.0	0.0	8,489.5	2,889.9	0.0	11,379.4
Depreciation	-7,123.8	-77.7	-276.6	0.0	-7,478.1	-2,330.5	0.0	-9,808.6

Breakdown by business division

2004	Aqua Ecolife Technologies € 1000's	Fuel Cell Membrane Technologies € 1000's	Aqua Finance € 1000's	Elimination € 1000's	Sub-total € 1000's	Aqua Systems Technologies € 1000's	Elimination € 1000's	Total € 1000's
External sales	312,083.9	2,781.8	0.0	0.0	314,865.7	173,238.2	0.0	488,103.9
Internal sales	3,498.7	196.8	0.0	-3,695.5	0.0	5,139.6	-5,139.6	0.0
Total	315,582.6	2,978.6	0.0	-3,695.5	314,865.7	178,377.8	-5,139.6	488,103.9
Divisional earnings (EBIT)	31,150.5	-735.6	-3.9	0.0	30,411.0	-5,538.3	0.0	24,872.7
Financial result					-588.2	-1,427.8		-2,016.0
Taxes on earnings					-6,264.1	685.9		-5,578.2
Minority interests					-67.5	-104.6		-172.1
Profit for the year					23,491.2	-6,384.8		17,106.4
Earnings per share in €					1.32	-0.36		0.96
Divisional assets	230,712.1	2,682.6	14,492.1	-30,745.8	217,141.0	158,598.0	-9,707.7	375,739.0
Liabilities	155,486.6	1,607.1	8,180.4	-30,745.8	134,528.3	103,511.9	-9,707.7	238,040.2
Investments	6,307.4	407.0	0.0	0.0	6,714.4	3,610.0	0.0	10,324.4
Depreciation	-8,853.0	-112.7	-222.5	0.0	-9,188.2	-3,985.2	0.0	-13,173.4

As the spin-off of the CHRIST Group, in the estimation of the Management Board, is a neutral transaction with shareholders this was not treated as a "discontinued operation" in line with IFRS 5. The following tables serve to provide people reading the balance sheet with all the information which they would have had if IFRS 5 been used. The spun-off CHRIST Group is included in the profit and loss account of the BWT Group with the following values:

Share of CHRIST Group	Jan.-Oct. 2005 € 1000's	Jan.-Oct. 2004 € 1000's
Sales	147,329.5	173,238.2
Other operating income	8,828.2	4,921.7
Change in inventory of finished and unfinished products	-78.6	-41.3
Other capitalised labor, overheads and material	1,567.7	708.4
Materials and purchased services	-96,224.5	-118,793.2
Personnel costs	-37,694.3	-43,565.8
Depreciation	-2,330.5	-3,985.2
Other operating expenses	-20,084.6	-18,021.1
Result from operating activities	1,312.9	-5,538.3
Financial income	733.1	101.9
Financial expenses	-1,797.6	-1,529.7
Earnings before tax	248.4	-6,966.1
Taxes on income	125.7	685.9
Net profit for the year	374.1	-6,280.2
Of which to:		
Shareholders of the parent company	415.0	-6,384.8
Minority shares	-40.9	104.6
Earnings per share in €	0.02	-0.36

The following table shows the disposal values of the CHRIST Group as at October 31, 2005 and those values with which the CHRIST Group as at December 31, 2004 was included in the consolidated balance sheet of the BWT Group.

Share of CHRIST Group	31.10.2005 € 1000's	31.12.2004 € 1000's
Long-term assets	55,769.4	54,646.1
Short-term assets	104,514.0	103,951.9
Long-term liabilities	-6,192.5	-8,865.5
Short-term liabilities	-97,593.2	-103,511.9

The CHRIST Group is included in the 2004 and 2005 flow of funds statements with the following net cash flow:

	31.10.2005 € 1000's	31.12.2004 € 1000's
CASH FLOW from operating activities	2,897.7	4,632.1
CASH FLOW from investment activities	-2,018.2	-2,830.2
CASH FLOW from financing activities	3,820.8	3,737.3
Change in liquid funds	4,700.3	5,539.2

Breakdown by region

2005	Austria € 1000's	Europe € 1000's	Other € 1000's	Elimination € 1000's	Total € 1000's
External sales	119,137.8	295,226.5	83,685.3	-34,510.9	463,538.7
Divisional assets	92,188.3	166,362.4	45,700.5	-56,367.5	247,883.7
Investments	2,453.6	5,418.4	3,507.4	0.0	11,379.4
2004	Austria € 1000's	Europe € 1000's	Other € 1000's	Elimination € 1000's	Total € 1000's
External sales	96,591.0	367,986.1	62,550.1	-39,023.3	488,103.9
Divisional assets	94,595.6	204,942.9	123,820.6	-47,620.1	375,739.0
Investments	2,621.0	4,574.8	3,128.6	0.0	10,324.4

NOTE 2: Other operating income and capitalized labor, overheads and materials

The other operating income is as follows:

Other operating income	2005 € 1000's	2004 € 1000's
Income from disposal of tangible assets	-76.5	1,300.5
Licensing revenues	753.7	2,047.8
Other	5,077.0	3,864.9
Total	5,754.2	7,213.2

The other income principally consists of further settlements. The capitalized labor, overheads and material principally consist of capitalized development costs.

NOTE 3: Personnel expenses

Personnel expenses	2005 € 1000's	2004 € 1000's
Wages	16,450.7	14,731.1
Salaries	91,875.8	96,035.0
Expenses for severance payments	1,569.3	320.9
Expenses for pensions	2,436.9	1,832.6
Legally required social security contributions	26,117.2	26,030.7
Other social security contributions	3,660.1	2,959.2
Total	142,110.0	141,909.5

The average number of employees developed as follows:

Employees	2005	2004
Administration	1,987	2,118
Production	624	567
Trainees and apprentices	42	49
Total	2,653	2,734

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

The expenses for severance payments include insignificant expenses for the employees' reserve fund. Expenses for severance payments and pensions are as follows:

2005	Expenses for severance payments € 1000's	Expenses for pensions € 1000's
Management Board	248.5	0.0
Executives	88.2	109.9
Others	1,232.6	2,327.0
Total	1,569.3	2,436.9

2004	Expenses for severance payments € 1000's	Expenses for pensions € 1000's
Management Board	14.4	0.0
Executives	107.5	63.6
Others	199.0	1,769.0
Total	320.9	1,832.6

The Management Board did not receive any anniversary payments in 2004 and 2005.

NOTE 4: Depreciation on tangible and intangible assets

Depreciation of fixed assets	2005 € 1000's	2004 € 1000's
Scheduled depreciation on tangible and intangible assets	9,808.6	10,216.2
Scheduled depreciation on goodwill	0.0	2,957.2
Total	9,808.6	13,173.4

There was no unscheduled depreciation.

NOTE 5: Other operating expenses

Other operating expenses	2005 € 1000's	2004 € 1000's
Advertising expenses	10,215.5	9,912.5
Fleet and travel costs	11,685.3	13,564.5
Freight and warehousing	7,024.0	6,773.4
Personnel from third parties	3,901.2	4,611.4
Rental and leasing expenses	9,403.9	8,044.0
Consultancy costs	4,513.4	4,146.1
Office, postal and telephone expenses	5,679.1	6,252.6
Commissions	4,505.0	3,924.9
Insurance premiums	2,393.4	2,354.4
Maintenance	2,831.5	3,231.6
Energy and fuel	1,804.5	1,821.9
Risk on receivables	1,365.7	2,208.0
Other taxes and fees	2,434.5	2,670.8
Exchange rate differences	8.1	112.7
Other	9,064.7	6,909.7
Total	76,829.8	75,638.5

NOTE 6: Financial result

Financial result	2005 € 1000's	2004 € 1000's
Income from participations	954.2	728.0
Earnings from other securities	644.7	58.2
Other interest and similar income	1,336.0	387.0
Interest and similar expenses	-4,207.7	-3,189.2
Total	-1,272.8	-2,016.0

NOTE 7: Taxes on income and earnings

Calculated according to IFRS principles, the effective tax rate for the business year 2005 was approximately 25.9 %, and 24.4 % for the 2004 financial year.

The current tax expenditure has been calculated as follows:

Tax expenditure	2005 € 1000's	2004 € 1000's
Tax expenditure of the financial year		
Austria	348,1	1,271.8
Abroad	4,770.9	7,492.7
Deferred tax expenditure/income		
Austria	211.1	-199.8
Abroad	1,343.2	-2,986.5
Total	6,673.3	5,578.2

The transition of the income tax liability applying the Austrian corporate tax rate of 25 % (previous year: 34 %) to the effective tax rate of the reporting period is shown as follows:

Tax rate transition	2005 € 1000's	2004 € 1000's
Earnings before tax	25,740.1	22,856.7
Tax expenditure at the tax rate of 25 % (previous year 34 %)	6,435.0	7,771.3
Difference in foreign tax rates	983.6	249.4
Tax allowance for research activities	-48.3	-166.6
Tax-exempt income from participations	-267.5	-127.5
Other	-429.5	-2,148.4
Effective tax liability	6,673.3	5,578.2
Effective tax rate	25.9 %	24.4 %

The Other item includes loss carryforwards for which deferred taxes are capitalized for the first time as well as the effect of consolidation. In 2004 this item also includes goodwill amortization that cannot be used for tax purposes.

Notes to the balance sheet

NOTE 8: Intangible and intangible assets

The detailed development is documented in the schedule of assets, which is an integral part of these consolidated financial statements. Changes resulting from the differences in the scope of consolidated companies are documented in a separate column. Those amounts that arise from the differences in the exchange rates between the beginning and the end of their reporting year at the foreign companies are documented as differences in exchange rates.

Development costs are only capitalized to the extent the necessary conditions according to IAS 38 are met. During the 2005 financial year, expenses for product and process innovation totaling T€ 1,160.4 (previous year: T€ 3,525.6) were capitalized. Expenses for research and development projects amounted to € 5.4 million (previous year: € 8.2 million).

The balance sheet position "Land and buildings" contains land of T€ 11,773.3 (previous year: T€ 18,819.1).

The collateral value for mortgage securities amounts to T€ 5,188.5 (previous year: T€ 9,184.9).

In keeping with IAS 17 (revised 2003), tangible assets include assets used under leasing contracts which economically are to be classified as BWT Group property. This relates in particular to property at BWT France S.A., F-St. Denis, for which there is a purchase option at an economically unimportant price. As of December 31, 2005, the capitalized value amounts to T€ 2,802.96 (previous year: T€ 2,947.6) and is classified as "Land and buildings" in the balance sheet.

Capatilized leasing assets	2005 € 1000's	2004 € 1000's
Purchase cost tangible assets	4,139.1	4,139.1
Cumulative depreciation	1,336.2	1,191.5
Book value tangible assets	2,802.9	2,947.6
Minimum leasing instalments payable as of the balance sheet date	1,442.9	1,952.5
Present value of minimum leasing instalments payable within one year	488.1	488.1
Discount rate applied	6,849 %	6,849 %
Present value of minimum leasing instalments payable between one and five years	880.7	1,277.5
Discount rate applied	6.849 %	6.849 %

NOTE 9: Financial assets

Financial assets	Book value	Book value
	31.12.2005	31.12.2004
	€ 1000's	€ 1000's
Participations	4,651.0	4,905.4
Securities	1,598.1	2,209.8
Loans	9,768.3	28.3
Total	16,017.4	7,143.5

Participations relate to shareholdings in the following companies:

Company	Shares	Book value	Book value
		31.12.2005	31.12.2004
		€ 1000's	€ 1000's
Nomura Micro Science Co. Ltd.. Japan	5 %	996.0	996.0
Wiener Börse AG, Austria	1 %	274.5	247.0
ADDUXI S.A., France	23 %	52.6	52.6
Male Water Et Sewarage Company Ltd	12 %	3,091.4	3,091.4
Other		236.5	518.4
Total		4,651.0	4,905.4

Securities are composed as follows:

Securities	31.12.2005	31.12.2004
	€ 1000's	€ 1000's
Fixed interest bearing securities	0.0	521.8
Shares in investment funds	1,014.6	1,283.2
Other	583.5	404.8
Total	1,598.1	2,209.8

In essence the securities serve to cover the severance pay and pension provisions in accordance with the provisions of Articles 14 and 116 of the Austrian Tax Code.

The current market values of the securities are largely equal to their respective purchase prices. No unrealized gains or losses arose as a result.

In 2005, the position "Loans" basically relates to a loan to an erection company for a semiconductor factory.

NOTE 10: Inventories

Inventories	2005	2004
	€ 1000's	€ 1000's
Raw materials and supplies	15,878.8	19,946.8
Unfinished goods	4,362.3	6,294.7
Finished goods and products	22,256.8	22,618.7
Services not yet invoiced	853.1	474.0
Prepayments	1,290.2	4,048.8
Total	44,641.2	53,383.0

Material expenses recorded in the profit and loss account breaks down as follows:

Material expenses	2005 € 1000's	2004 € 1000's
Cost of materials	161,095.7	196,785.0
Cost of purchased services	55,834.0	45,355.7
Total	216,929.7	242,140.7

Depreciation for inventories amounts to € 288,000 (previous year: € 0.0).

NOTE 11: Receivables and other assets

2005	Total € 1000's	of which short-term € 1000's	of which long-term € 1000's
Trade receivables	61,429.4	61,283.8	145.6
Receivables from long-term orders	4,585.9	4,585.9	0.0
Receivables from companies in which a participation is held	181.4	49.8	131.6
Income tax reimbursement claims	2,218.0	2,218.0	0.0
Other receivables and assets	3,703.2	2,867.2	836.0
Total	69,899.9	68,786.7	1,113.2

2004	Total € 1000's	of which short-term € 1000's	of which long-term € 1000's
Trade receivables	80,678.2	80,550.8	127.4
Receivables from long-term orders	43,617.7	39,315.1	4,302.6
Receivables from companies in which a participation is held	319.9	319.9	0.0
Income tax reimbursement claims	1,743.7	1,743.7	0.0
Other receivables and assets	21,659.1	19,671.4	1,987.7
Total	146,274.9	139,857.2	6,417.7

The receivables and other assets are reduced by necessary individual value adjustments of T€ 2,283.2 (previous year: T€ 3,916.7).

NOTE 12: Long-term orders

In keeping with IAS 11 (revised 1993), for all those long-term orders for which it is possible to reliably evaluate the degree of completion, total costs and total revenues, earnings were realized according to the degree of progress of the work (percentage-of-completion method). Thus, when applying the percentage-of-completion method, earnings are realized at a point in time at which there is not yet any legally enforceable claim to payment. The BWT Group evaluates the degree of completion in relation to the costs incurred as a proportion to estimated total costs (cost-to-cost method). In this, the costs incurred hitherto are taken from the calculations agreed with the accounts department or time recording.

Details on long-term orders	2005 € 1000's	2004 € 1000's
Revenue in financial year	35,199.5	73,970.9
Costs incurred to December 31	4,217.6	88,346.8
Realized profits to December 31	4,697.8	19,623.7
Realized losses to December 31	645.6	4,705.8
Prepayments	0.0	830.5

The order revenues of T€ 35,199.5 include T€ 34,493.5 for the CHRIST Group which was deconsolidated at the end of October.

The prepayments of T€ 3,683.9 (previous year: T€ 59,647.0) were, where possible, offset against receivables from long-term orders.

Long-term orders with debit balances to customers of T€ 2,593.4 (previous year: T€ 7,205.5) are posted under other liabilities.

NOTE 13: Other receivables

The position "Other receivables and assets" relates to revenue of insignificant amount which becomes payable after the balance sheet date. As of the balance sheet date, no securitization in the form of bills of exchange existed for the receivables.

NOTE 14: Liquid funds

Liquid funds	31.12.2005 € 1000's	31.12.2004 € 1000's
Bank balances	18,368.5	20,740.9
Cash in hand	180.8	231.3
Cash equivalents	10.5	10.3
Total = liquidity (net) according to the cash flow statement	18,559.8	20,982.5

NOTE 15: Deferred taxes

Deferred taxes result from time-limited differences in valuation and accounting between book values according to IFRS financial statements and their respective underlying valuation in the taxation accounts, and are as follows:

Deferred taxes	31.12.2005 € 1000's	31.12.2004 € 1000's
Deferred tax claims:		
Social capital provisions	2,673.9	2,766.8
Deferred tax claims arising from tax loss carryforwards	843.0	8,476.1
of which claims from loss carryforwards capitalized for the first time in previous year	0.0	2,275.5
Other (temporary valuation differences)	2,997.5	3,166.7
Deferred tax claims	6,514.4	14,409.6
Deferred tax liabilities:		
Tangible fixed assets	2,388.1	2,496.9
Other (temporary valuation differences)	1,322.3	2,418.7
Deferred tax liabilities	3,710.4	4,915.6

The majority of losses carried forward in subsidiaries can be carried forward without time limit, and used for purposes of the reduction of the future taxable income of the company and its consolidated subsidiaries.

In keeping with IAS 12, deferred taxes on existing losses carried forward of T€ 843.0 were capitalized, as these can be netted against future taxable profits. Deferred tax on losses carried forward was capitalized in the probable amount which can be netted against future taxable profits. For the purposes of Austrian, German and Danish tax laws, there is no time limitation regarding the use of loss carry forwards. In other countries the use of loss carry forward does not exist.

Under "Other", deferred tax liabilities essentially contain early realization of profits within the framework of contract production in accordance with the percentage-of-completion method and financing leases.

Taxes on earnings are comprised as follows:

Taxes on earnings	2005 € 1000's	2004 € 1000's
Corporation tax for the financial year (actual amount)	5,082.9	8,836.4
Late payments of corporation tax relating to prior years	36.1	-71.9
Changes in deferred taxes	1,554.3	-3,186.3
Total	6,673.3	5,578.2

NOTE 16: Equity

The composition and development of equity in the balance sheet is documented in the equity schedule.

The share capital consists of 17,833,500 shares (previous year: 17,833,500 shares) each of which represents an equal participation in the issued equity of the company.

The major shareholders of BWT Group are YSRO Holding B.V. (31 %) and the BWT Trust (19 %). The free float of 50 % is held by Austrian and international investors. BWT shares are quoted on the Prime Market of the Vienna stock exchange and bear the international security identification number AT0000737705. In the US, BWT shares are traded on the OTC market via an ADR Level 1 Program sponsored by the Bank of New York.

On the basis of the BWT AG Articles of Association, the Management Board is authorized up to June 25, 2007 to increase the equity capital of the company by up to € 8,916,500 to € 26,750,000 by issuing new shares.

The tied capital reserve results from the share premium achieved on the occasion of the capital increase in 1994.

The revenue reserves include retained earnings (actuarial profits/losses less tax due) directly recorded in equity as well as currency conversion differences.

If losses relating to subsidiaries incurred by a consolidated subsidiary exceed the share in the equity represented by this subsidiary, the excess and any further loss relating to the subsidiary are netted off against Group losses relating to subsidiaries.

The spin-off of CHRIST WATER TECHNOLOGY AG is treated as a so-called "surrender of property" and thus as a dividend distribution in the revenue reserves. Accordingly, it was recorded in the cash flow statement in "CASH FLOW from financing activities".

NOTE 17: Reserves for social capital

Calculation of social capital reserves (provisions for pensions, severance payments) is carried out in keeping with the rules of IAS 19 (revised 2004).

In December 2004, the IASB passed changes to IAS 19, which among other things concern the introduction of an additional option to deal with actuarial profits or losses arising within the framework of benefit-orientated pension plans. The changes come into effect on January 1, 2006 but the Management Board has already taken these changes into account in the 2005 financial year and accordingly has also adapted the comparable figures of the previous year.

Pensions provisions

At BWT AG, Mondsee, as well as international subsidiaries (German, French, Italian, Swedish and Dutch) there are direct pension obligations for certain employees as a result of individual agreements.

The following parameters were used for purposes of the calculation using the projected-unit-credit method:

Biometric calculation bases	2005 € 1000's	2004 € 1000's
Actuarial discount rate	4.33 % - 5.0 %	4.5 % - 5.0 %
Wage/salary trend	1.0 % - 2.0 %	1.0 % - 2.0 %
Pension trend	1.0 % - 2.0 %	1.0 % - 2.0 %
Average fluctuation	None	None

Pension obligations	2005 € 1000's	2004 € 1000's
Present value of pension obligations as of January 1	19,975.7	17,926.5
Disposal of CHRIST Group	-325.0	0.0
Expenses arising from time in service	397.5	171.5
Interest expenses	1,159.0	1,049.1
Pension payments	-973.9	-893.6
Actuarial profits/losses	2,238.8	1,722.2
Present value of pension obligations as of December 31	22,472.1	19,975.7

The actuarial profits/losses were recorded in equity neutral to earnings in accordance with IAS 19 (revised 2004).

Provisions for severance payments

As a result of legal obligations, employees of the Austrian and Italian Group companies receive a one-off payment in the case of their layoff or their retirement. The size of such payments is dependent upon the number of years of service with the company and the circumstances under which the severance payment becomes due. The following parameters were used for purposes of the calculation using the projected-unit-credit method:

Biometric calculation bases	2005 € 1000's	2004 € 1000's
Actuarial discount rate	4.33 %	4.5 %
Wage/salary trend	2.0 %	2.0 %
Pension trend	2.0 %	2.0 %
Average fluctuation (dependent on time in service)	0 - 12 %	0 - 12 %

Severance obligations	2005 € 1000's	2004 € 1000's
Present value of severance payment obligations as of January 1	6,755.2	5,248.4
Changes to the scope of consolidation	0.0	14.8
Disposal of CHRIST Group	-1,595.1	0.0
Expenses arising from time in service	88.3	1,536.8
Interest expenses	211.0	262.4
Severance payments	-61.6	-108.7
Actuarial profits/losses	-46.2	-198.5
Present value of severance obligations as of December 31	5,351.6	6,755.2

The actuarial profits/losses were recorded in equity neutral to earnings in accordance with IAS 19 (revised 2004).

Provisions for anniversary payments

Anniversary bonuses were calculated for the employees of certain Austrian Group companies. The following parameters were used for purposes of the calculation using the projected-unit-credit method:

Biometric calculation bases	2005 € 1000's	2004 € 1000's
Actuarial discount rate	4.33 %	4.50 %
Wage/salary trend	2.0 %	2.0 %
Pension trend	2.0 %	2.0 %
Average fluctuation (dependent on time in service)	0 – 12 %	0 – 12 %

Severance obligations	2005 € 1000's	2004 € 1000's
Present value of severance payment obligations as of January 1	362.6	340.3
Disposal of CHRIST Group	-12.8	0.0
Expenses arising from time in service	43.1	26.3
Interest expenses	13.9	13.5
Severance payments	-22.1	-9.2
Actuarial profits/losses	9.5	-8.3
Present value of severance obligations as of December 31	394.2	362.6

NOTE 18: Other provisions

The development of the other provisions which were valued in line with IAS 37 is detailed in the following overview:

Other provisions	1.1. 2005 € 1000's	Change in scope of consolidation € 1000's	Spin-off CHRIST Group € 1000's	Currency difference € 1000's	Deployment € 1000's	Write-back € 1000's	Allocation € 1000's	31.12. 2005 € 1000's	of which long-term € 1000's
Personnel expenses	10,805.0	0.0	-2,197.5	-14.9	6,825.2	153.2	6,982.0	8,596.2	654.1
Guarantees	5,680.9	8.5	-1,725.0	18.2	2,105.7	965.4	2,536.5	3,448.0	0.0
Other	4,097.4	15.8	-945.3	3.6	2,466.5	647.0	3,159.4	3,217.4	147.5
	20,583.3	24.3	-4,867.8	6.9	11,397.4	1,765.6	12,677.9	15,261.6	801.6

The provision for personnel expenses contains unconsumed vacation, bonus payments and commissions. The provisions for guarantees relate to the costs of expected claims on products during the guarantee period. The provisioned amount is the present value of the best estimate made on the basis of experience. The other provisions principally relate to legal costs and consultancy expenses as well as other expenditure.

NOTE 19: Bonds

In November 1999, a € 17 million bond divided into 17,000 equal-ranking bearer bonds each with a nominal value of € 1,000 was issued. Based on their issuance date November 17, 1999, the bonds bear an annual interest rate of 6.875 % until their maturity date. By means of an interest rate swap, this fixed interest rate is currently reduced for the period to 3.012 % (previous year: 2.5 %) (see Note 25: Derivative financial instruments). Interest is payable annually in arrears on November 17. The bonds will mature on November 17, 2009. The bonds are traded in the "Freiverkehr" tier of the Frankfurt stock exchange (security identification number 353.770).

NOTE 20: Liabilities

2005	Total	of which with a remaining term <1 year	of which remaining between 1-5 years	of which with a remaining term of >5 years	of which with a remaining term of <1 year secured
	€ 1000's	€ 1000's	€ 1000's	€ 1000's	€ 1000's
Bonds	17,000.0	0.0	17,000.0	0.0	0.0
Interest-bearing financial liabilities	37,873.5	26,183.3	9,373.0	2,317.2	5,188.5
Trade payables	27,657.1	27,657.1	0.0	0.0	0.0
Customer advances	2,936.7	2,936.7	0.0	0.0	0.0
Drafts and notes payable	3,950.2	3,950.2	0.0	0.0	0.0
Payables to companies in which a participation is held	72.6	72.6	0.0	0.0	0.0
Other	14,234.5	13,123.8	1,110.7	0.0	0.0
Subtotal	21,194.0	20,083.3	1,110.7	0.0	0.0
Total	103,724.6	73,923.7	27,483.7	2,317.2	5,188.5

2004	Total	of which with a remaining term <1 year	of which remaining between 1-5 years	of which with a remaining term of >5 years	of which with a remaining term of <1 year secured
	€ 1000's	€ 1000's	€ 1000's	€ 1000's	€ 1000's
Bonds	17,000.0	0.0	17,000.0	0.0	0.0
Interest-bearing financial liabilities	78,726.1	55,102.8	22,729.5	893.8	9,184.9
Trade payables	35,181.7	35,181.7	0.0	0.0	0.0
Customer advances	7,178.2	7,178.2	0.0	0.0	0.0
Drafts and notes payable	4,657.6	4,657.6	0.0	0.0	0.0
Payables to companies in which a participation is held	341.0	104.4	236.6	0.0	0.0
Other liabilities	22,308.1	21,052.5	1,205.2	50.4	0.0
Subtotal	34,484.9	32,992.7	1,441.8	50.4	0.0
Total	165,392.7	123,277.2	41,171.3	944.2	9,184.9

"Other liabilities" include amongst other things other tax liabilities of T€ 7,285.1 (previous year: T€ 6,728.6) and other social security obligations of T€ 3,047.3 (previous year: T€ 2,953.0).

The securities on properties referred to above are mainly liens.

Other liabilities contain expenses of T€ 471.3 (previous year: T€ 74.6) which fall due after the balance sheet date.

NOTE 21: Deferred income

Deferred income relates to deferred revenues.

NOTE 22: Other liabilities and uncertain liabilities: rental agreements

BWT Group has concluded operational rental and leasing contracts with a number of contract partners which mainly relate to the use of buildings, offices and cars. The minimum payments payable under these contracts are as follows:

	€ 1000's
2006	7,666.6
2007 – 2010	9,546.7
Thereafter	885.7

The total rental and leasing expenses during the business year amounted to T€ 9,403.9 (previous year: T€ 8,044.0).

Sureties and guarantees

The company has assumed the following sureties and guarantees:

	31.12.2005	31.12.2004
Sureties and bank guarantees	15,775.3	37,732.7
Liabilities arising from bills of exchange	216.7	64.6
Others	163.5	232.3
	16,155.5	38,029.6

There are no financial liabilities over and above those detailed.

The sureties and guarantees include liabilities of T€ 8,995.0 for subsidiaries of the CHRIST Group, mainly in Great Britain, for which BWT AG accepted releases from liability on the part of Christ Water Technology AG, Mondsee.

Outstanding legal disputes

There are legal disputes typical for the industry. Where the legal proceedings are in a stage at which the outcome can be predicted with a reasonable degree of certainty, a corresponding provision in keeping with IAS 37 has been established. Management expects that as a result of the other disputes, no significant impact on the asset, finance or earnings position of BWT Group is to be expected.

Notes to the cash flow statement

The cash flow statement shows how funds of the Group have changed during the reporting year as a result of cash inflows and outflows. The effects of company purchases were eliminated and are detailed in the position "Changes in cash due to changes in the scope of consolidation". Within the cash flow statement, there is a distinction between operating, investment and financing activities. Liquidity recorded in the cash flow statement includes cash, checks, cash at banks and securities to be qualified.

NOTE 23: Cash flow from operating activities

The cash flow from operating activities shows the cash flows arising from delivery and service relationships rendered and received during the financial year. The cash flow from operating activities of T€ 26,404.5 (previous year T€ 33,915.5) includes changes in current assets

NOTE 24: Cash flow from investment activities

Purchases of tangible assets and financial assets resulted in outflows of T€ 8,981.4 (previous year: T€ 10,673.5).

For the acquisition of companies, there were outflows of T€ 350.00 (previous year: 4,913.2). The participations acquired in the reporting period relate to the increase in the participation in Tenergy Christ USA LLC from 20 % to the current figure of 49 % as at January 1, 2005 as well as the gradual acquisition of shares (from 74 % to 100 %) in the Irish company Christ Waterman Ltd. by August 31, 2005 with retroactive effect to January 1, 2005. Tenergy Christ USA LLC contributed with sales of T€ 3,851.6 and earnings before interest and taxes of T€ -59.7.

The company shares acquired during the financial year concern the CHRIST Group and were deconsolidated from the BWT Group on October 31, 2005.

in € 1000's	Christ Tenergy	Christ Waterman	Total
Tangible assets	1,858.7	-	1,858.7
Inventories	314.4	-	314.4
Trade receivables	780.7	-	780.7
Liquid funds	24.1	-	24.1
Other assets	59.4	-	59.4
Equity	275.1	-	275.1
Accruals	-227.5	-	-227.5
Liabilities	-3,084.9	-	-3,084.9
Acquired share in equity	-275.1	337.2	62.1
Goodwill			498.6
Purchase price			560.7
Liquid funds			-210.7
Cash flow for the acquisition minus acquired liquid funds			350.0

NOTE 25: Financial instruments

Fair value

Financial risk management

The book values of the liabilities to banks, which attract interest at variable rates, mainly correspond to the market value. The liabilities to banks which attract fixed interest are short-term for the most part. For this reason, the book value of these liabilities also corresponds in the main to the market value.

Interest rate risk

As part of the company's business activities, it is necessary to use loan capital to finance operating resources, investments and possible company expansion. The current loan capital attracts interest at both fixed and variable rates and is both short-term and long-term. Due to the short-term nature, both the fixed interest loans and variable interest loans are exposed to a standard market interest rate risk. An interest rate swap was agreed for the bond (Note 19). The Management Board assesses the interest rate risk as low with the other financial instruments shown in the balance sheet.

As part of Group financing activities, the possible risks which may result from changes in the interest rate level are evaluated continuously. The Group treasury has available modern software to do this.

Currency risks

The company partly finances its operating resources, investments and possible expansion with foreign currencies. This is in direct connection with the international direction of operations. Covering transactions are carried out in the central Group treasury for the cash flows in foreign currencies, and these reduce the negative repercussions of fluctuations in the exchange rates. The company is at all times able to assess the risks of foreign currency transactions independently of banks and other financial organizations. The Group treasury has available modern software to do this.

Liquidity/financing risks

The liquidity risk includes, on the one hand, the possibility of being able at any time to procure financial resources in the form of money or credit lines in order to make payments due or to obtain necessary guarantees and credits from banks. On the other hand, it should also be guaranteed that available liquid funds and financial investments can be called up virtually risk-free and promptly by the company.

The BWT Group currently has access to sufficient credit lines with international banks for the current business volume.

To control and optimize liquidity, there was also in the 2005 reporting year a consolidated financing company within the Group which also contained the existing cash pools. The assessment strategy of the BWT Group is based on cooperation with financial partners of impeccable creditstanding.

Payment risks/risks concerning the credit standing of customers

Business activities are exposed to the risk that customers will not be able to fulfill, or fully fulfill, their payment obligations to the BWT Group.

The BWT Group therefore attempts – in line with standard market practice – to reduce this risk by, amongst other things, obtaining payment guarantees from banks and export credit agencies. In addition there is the possibility of covering risks in the project business with international credit insurers, which is used as required. The management ensures that the companies of the BWT Group obtains a picture of the credit standing of customers before signing agreements with them, eg. by obtaining company information from reputable agencies.

Primary financial instruments

The primary financial instruments are shown in the balance sheet. In terms of assets, these are long-term investments, liquid funds, trade receivables and other receivables. In terms of liabilities, these are trade accounts payable, other liabilities and interest-bearing financial liabilities. The book value of the primary financial instruments shown in the balance sheet corresponds in the main to the market value or the fair market value. On the asset side, the amounts posted also include the maximum risk of default on capital or interest payments as there are no general agreements on repayments in these cases. The risk regarding trade receivables is regarded as low as the creditworthiness of new and existing customers is continually monitored and no more than 5 % of total receivables are outstanding from any one customer.

The credit risk arising from the investments of cash and securities is limited as these are held almost exclusively by Austrian companies, and the BWT Group only works with financial partners who have a good credit rating.

Due to the decentralized European group structure of BWT Group, loan financing for the purposes of short-term assets is made in the respective currency of the local company. Therefore, currency risks are limited since the expenses arising from such financing are also invoiced in the respective local currency. However, risks from financing transactions arise at the parent company in Swiss Francs.

2005	Book value € 1000's	Market Value € 1000's	Effective interest rate in %
Shares in investment funds	1,014.6	1,157.0	3.14
Other	583.5	594.4	13.76
Total	1,598.1	1,751.4	

2004	Book value € 1000's	Market Value € 1000's	Effective interest rate in %
Fixed interest-bearing securities, other	521.8	521.8	7.42
Shares in investment funds	1,283.2	1,357.2	3.31
Other	404.8	404.8	0.00
Total	2,209.8	2,283.8	

Financial liabilities 2005

Financial obligations to non-banks 2005

Type	Local currency	Nominal in local currency 1000's	Book value € 1000's	Effective interest rate in %
Bond	EUR	17,000	17,000	3.01
Total			17,000	

Fixed-interest financial liabilities to banks 2005

Type	Local currency	Nominal in local currency 1000's	Book value € 1000's	Effective interest rate in %
Loans	EUR	10,675	10,675	3.67
	CHF	3,300	2,121	2.92
Total			12,796	
Advances	EUR	2,567	2,567	3.01
	CHF	15,403	9,942	1.23
Total			12,509	
Total			25,305	

Variable-interest financial liabilities to banks 2005

Type	Local currency	Nominal in local currency 1000's	Book value € 1000's	Effective interest rate in %
Loans	EUR	6,723	6,723	2.77
	CHF	3,647	2,344	1.62
	CZK	12,460	429	2.90
	HUF	9,858	39	5.62
Total			9,535	
Current account	EUR	769	769	4.20
	USD	2,551	2,154	5.14
	PLN	426	110	5.40
Total			3,033	
Total			12,568	

Financial liabilities 2004

Financial obligations to non-banks 2004

Type	Local currency	Nominal in local currency 1000's	Book value € 1000's	Effektive interest rate in %
Loans	EUR	17,000	17,000	2.50
Total			17,000	

Fixed-interest financial liabilities to banks 2004

Type	Local currency	Nominal in local currency 1000's	Book value € 1000's	Effektive interest rate in %
Loans	EUR	13,819	13,819	3.72
	CHF	8,000	5,178	3.95
	HUF	12,323	50	10.00
		Total	19,047	
Advances	EUR	14,900	14,900	2.65
	CHF	13,516	8,769	1.25
		Total	23,669	
Total			42,716	

Variable-interest financial liabilities to banks 2004

Type	Local currency	Nominal in local currency 1000's	Book value € 1000's	Effektive interest rate in %
Loans	EUR	10,466	10,466	2.96
	CHF	9,263	6,000	1.21
	GBP	2,975	4,214	5.66
	CZK	14,935	494	3.33
		Total	21,174	
Advances	EUR	5,723	5,723	3.23
	CHF	4,500	2,913	1.70
		Total	8,636	
Current account	EUR	2,635	2,635	4.80
	CHF	1,400	906	7.04
	CZK	186	6	3.50
	DKK	276	37	3.02
	GBP	1,193	1,690	5.75
	HUF	33,103	135	10.84
	NOK	1,434	174	2.86
	PLN	2,506	617	7.67
		Total	6,200	
Total			36,010	

The fair market values of long-term liabilities are based on the current interest rates for liabilities with the same maturity date. The fair market values of long-term loans and other liabilities with variable interest rates correspond in the main to their book values. The risk of interest rates for the loan changing was covered by an interest rate swap. The management is of the opinion that the risk of interest rate changes with financial investments and other liabilities is insignificant.

Derivative financial instruments

For purposes of containing the risk of changing interest rates, the parent company has entered into the following interest rate swap contracts (fair value hedge):

	31.12.2005		31.12.2004	
	Nominal amount € 1000's	Market value € 1000's	Nominal amount € 1000's	Market value € 1000's
Interest rate swap 2002 – 2005	0	0,0	17,000	-134.4
Interest rate swap 1999 – 2009	17,000	1,691.3	17,000	2,076.1
Interest rate swap 1999 – 2009	17,000	342.9	17,000	422.6
Interest rate swap 2004 – 2008	0	0.0	3,000	-16.5
Cap EUR 2004 – 2006	5,000	3.5	5,000	14.9
Cap EUR 2005 – 2008	3,000	33.2		

In order to hedge currency risks, the following currency futures contracts and currency option contracts were entered into by BWT Group:

	Currency	31.12.2005		31.12.2004	
		Nominal amount € 1000's	Market value € 1000's	Nominal amount € 1000's	Market value € 1000's
Sale of EUR futures against GBP	TEUR			750.0	15.6
Sale of GBP futures against EUR	TGBP			408.1	29.4
Purchase of GBP futures against EUR	TGBP			408.1	-5.9
Purchase of GBP futures against USD	TGBP			408.1	-32.9
Sale of GBP futures against USD	TGBP			408.1	47.2
Purchase of USD futures against EUR	TUSD	4,558.0	273.4		

	Currency	31.12.2005		31.12.2004	
		Nominal amount € 1000's	Market value € 1000's	Nominal amount € 1000's	Market value € 1000's
Sale Call	TUSD			14,000.0	-58.2
Purchase Put	TUSD			6,000.0	97.2
Sale Put	TUSD			1,200.0	-45.1
Sale Call	TCHF	7,525.0	-1.0	7,525.0	-62.6
Sale Call	TCHF	4,559.0	-52.0		
Purchase Call	TCHF	4,559.0	19.3		

The remaining durations are all less than one year. Determining the fair market value for currency futures contracts is based on the futures price on the balance sheet date. The evaluation of currency option contracts also makes it necessary to regularly revert to assumptions of future market developments and the use of evaluation models, so that different assumptions and/or models can lead to different results.

The book values of the financial assets correspond to the maximum risk of default.

NOTE 26: Information regarding associated companies and persons

Due to the fact that important shareholders in BWT Aktiengesellschaft are also shareholders of Christ Water Technology AG, which is also listed on the Vienna stock exchange, trade relationships between the BWT Group and the CHRIST Group are to be regarded as transactions with associated companies.

In 2005, companies of the CHRIST Group supplied companies of the BWT Group with materials and services to the value of T€ 2,548.8. Conversely, these deliveries and services for the BWT Group amounted to T€ 4,204.5 for the CHRIST Group in 2005. On the balance sheet date, the BWT Group is due T€ 2,624.3 from the CHRIST Group with liabilities of T€ 3,403.4.

In August 2005, the CHRIST subsidiary "CHRIST Pharma & Life Science AG, CH" sold the company loan and participation in a set-up company for a semiconductor factory in Dresden to the BWT subsidiary Pulsimmo AG, CH for the book value of T€ 9,740.6.

On December 1, 2005 the CHRIST Group company "CHRIST Pharma & Life Science AG" signed an agreement with the BWT Group company "CHRIST AQUA Ecolife AG" regarding a license to manufacture CHRIST products, amongst others the so-called SEPTRON module and for this agreed a one-off licensing amount of T€ 2,249.8.

The netting of supplies and services between the companies of the BWT Group and CHRIST Group was implemented under standard market conditions.

NOTE 27: Other information Material events after the balance sheet date

There were no reportable events after the balance sheet date of material importance for the valuation on the balance sheet date (IAS 10: Events after the balance sheet date, revised 2003).

Information on corporate bodies

The total remuneration of the members of the BWT AG Management Board totaled in the financial year T€ 862.8 (previous year: T€ 683.1). No payments were made to former members of the Management Board or their descendants.

The members of the Supervisory Board only received expense reimbursements for the activities during the 2005 financial year. There are no loans or credit guarantees to members of the Management or Supervisory Board.

During the 2005 financial year, the members of the Management Board were:

Andreas Weissenbacher (Chairman)
Gerhard Speigner
Karl Michael Millauer (until September 26, 2005)

During the 2005 financial year, the members of the Supervisory Board were:

Leopold Bednar (Chairman)
Wolfgang Hochsteger (Deputy)
Ekkehard Reicher
Gerda Egger
Klaus Reinhard Kastner
Serge Schmitt

Earnings per share

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

	2005	2004
Group profit in € 1000's	18,969.4	17,106.4
Weighted number of outstanding shares	17,833.500	17,833.500
Earnings per share in €	1.06	0.96

Proposal for profit distribution

According to the stipulations of the Austrian Stock Law, the annual financial statements for BWT AG as at December 31, 2005, which have been prepared according to Austrian accounting regulations, provide the basis for the payment of the dividend. The profit as of the balance sheet date December 31, 2005 is € 18,732,556.76.

The Management Board proposes the following profit distribution to the Annual General Meeting on May 24, 2006:

- a) That a dividend of € 0.18 per share and a bonus of € 0.12, in total € 5,350,050.0 be distributed for the 17,833,500 shares (ISIN AT0000737705),
- b) that the remaining € 13,382,506.76 be carried forward to the new financial year.

On March 1, 2006 the consolidated financial statements in accordance with IFRS as at December 31, 2005 were approved by the Management Board. On March 11, 2005 the consolidated financial statements as at December 31, 2004 were approved by the Management Board for presentation to the Supervisory Board.

Mondsee, March 1, 2006


Andreas Weissenbacher
Chief Executive Officer


Gerhard Speigner
Chief Financial Officer

V.1. Overview of the material participations

As of December 31, 2005, the scope of consolidation comprises the following companies:

Abbreviation	Company, location	Total in %	Indirectly in %	via	Consolidation
BWT	BWT Aktiengesellschaft Mondsee				
AS	Aqua Service GmbH, Mondsee	100.000 %			F
BWTGS	BWT Group Services GmbH, Wien	100.000 %			F
BWTM	BWT Malta Holdings Ltd., Valetta	100.000 %	100.000 %	BWTGS	F
BWTITC	BWT International Trading Ltd, Valetta	100.000 %	100.000 %	BWTM	F
APS	Arcana Pool Systems GmbH, Wien	100.000 %			F
MFGS	Manufactur für Glas und Spiegel GmbH, Villach	100.000 %			F
BWTD	BWT Wassertechnik GmbH, Schriesheim	100.000 %			F
W&M	Water & More by BWT GmbH, Wiesbaden	100.000 %	100.000 %	BWTD	F
BWTB	BWT Belgium nv/sa, Zaventem	100.000 %	100.000 %	BWTD	F
BENCH	Benchem NV, Boortmeerbeek	100.000 %	100.000 %	BWTB	F
FUMA	FuMA-Tech GmbH, St. Ingbert	100.000 %	100.000 %	BWTD	F
FUMAUS	Fumatech Inc., San Antonio	100.000 %	100.000 %	FUMA	F
CILLITD	Cillit Wassertechnik GmbH, Schriesheim	100.000 %			F
BWTF	BWT France S.A.S., Paris	100.000 %			F
CPED	C.P.E.D. S.A.S., Paris	100.000 %	100.000 %	BWTF	F
CPS	C.P.S. S.A.S., Paris	100.000 %	100.000 %	CPED	F
CAET	Christ AQUA Ecolife AG, Aesch	100.000 %			F
PULS	Pulsimmo AG, Aesch	100.000 %	100.000 %	CAET	F
CCI	Cillichemie Italiana S.R.L., Mailand	100.000 %			F
CILSP	Cilit S.A., Barcelona	100.000 %	100.000 %	CCI	F
BWTP	BWT Polska Sp.z.o.o., Warschau	100.000 %			F
BWTCHRH	BWT & CHRIST Hungaria Kft, Budapest	88.790 %			F
BWTCR	BWT Ceska Republika s.r.o., Prag	100.000 %			F
HOHDK	HOH Water Technology A/S, Greve	100.000 %			F
HOHDEL	HOH Dansk Elektrolyse A/S, Albertslund	100.000 %	100.000 %	HOHDK	F
HOHVAT	HOH Vattenteknik AB, Malmö	100.000 %	100.000 %	HOHDK	F
HOHBC	HOH Birger Christensen AS, Rud	100.000 %	100.000 %	HOHDK	F
HOHSEP	HOH Separtec OY, Raisio	100.000 %	100.000 %	HOHDK	F

F = Fully consolidated

Development of fixed assets (Appendix V.2.)

2005	Acquisition/production cost						
	01.01.2005	Currency difference and reclassification	Initial consolidation	Additions	Disposals	Deconsolidation of CHRIST Group	31.12.2005
Intangible assets	88,601.0	-16,524.8	451.4	5,419.2	231.7	23,599.7	54,115.4
Goodwill	61,249.8	-17,945.2	360.9	169.5	10.9	17,192.7	26,631.4
Other intangible assets	27,351.2	1,420.4	90.5	5,249.7	220.8	6,407.0	27,484.0
Concession, rights, licenses	16,605.3	868.5	90.5	2,741.9	220.8	2,792.8	17,292.6
R & D capitalized	10,745.9	551.9		2,507.8		3,614.2	10,191.4
Tangible assets	153,107.4	-388.0	2,417.9	5,803.4	10,183.3	43,348.9	107,408.5
Land and buildings	84,489.5	150.9	1,573.9	544.4	7,192.0	23,504.3	56,062.4
Lands	18,857.1	1,561.7	42.5	118.9	1,165.0	7,641.9	11,773.3
Buildings	65,632.4	-1,410.8	1,531.4	425.5	6,027.0	15,862.4	44,289.1
Technical equipment and machinery	25,746.9	224.8	328.7	1,681.9	218.0	5,671.1	22,093.2
Factory and office equipment	42,180.1	-146.3	515.3	2,995.3	2,298.2	14,142.0	29,104.2
Prepayments and construction in progress	690.9	-617.4		142.5	35.8	31.5	148.7
Low-value assets				439.3	439.3		
Financial assets	7,436.3	9,727.6		156.8	518.1	674.9	16,127.7
Participating interests	4,947.3	-2.5		141.3	304.2	130.9	4,651.0
Loans	133.0	9,740.0			104.7		9,768.3
Other financial assets	2,356.0	-9.9		15.5	109.2	544.0	1,708.4
TOTAL	249,144.6	-7,185.2	2,869.3	11,379.4	10,933.1	67,623.5	177,651.5

2004	Acquisition/production cost						
	01.01.2004	Currency difference and reclassification	Initial consolidation	Additions	Disposals		31.12.2004
Intangible assets	82,377.5	37.9	1,198.8	6,374.6	1,387.9		88,601.0
Goodwill	59,660.0	-1,176.8	1,198.8	1,567.7			61,249.8
Other intangible assets	22,717.5	1,214.7		4,806.9	1,387.9		27,351.2
Concession, rights, licenses	14,986.0	1,725.9		1,281.3	1,387.9		16,605.3
R & D capitalized	7,731.5	-511.2		3,525.6			10,745.9
Tangible assets	143,101.3	983.7	6,682.1	5,676.9	3,336.7		153,107.4
Land and buildings	77,165.7	763.8	5,955.9	785.9	181.8		84,489.5
Lands	17,079.2	166.0	1,596.8	15.2			18,857.1
Buildings	60,086.5	597.9	4,359.1	770.7	181.8		65,632.4
Technical equipment and machinery	24,024.2	325.1	415.2	1,075.3	93.0		25,746.9
Factory and office equipment	41,542.2	-113.9	311.1	2,932.4	2,491.7		42,180.1
Prepayments and construction in progress	369.2	8.7		427.9	114.9		690.9
Low-value assets				455.4	455.4		
Financial assets	6,950.7	440.3	2.7	349.1	306.4		7,436.3
Participating interests	4,889.9	2.3		323.3	268.2		4,947.3
Loans	131.8	1.4			0.2		133.0
Other financial assets	1,929.0	436.5	2.7	25.8	38.0		2,356.0
TOTAL	232,429.6	1,461.9	7,883.7	12,400.6	5,031.1		249,144.7

Depreciation						Book value		
01.01.2005	Currency difference and reclassification	Initial consolidation	Addition	Disposal	Deconsolidation of CHRIST Group	31.12.2005	31.12.2005	31.12.2004
32,121.4	-16,834.0	51.6	2,469.7	220.8	2,768.3	14,819.6	39,295.7	56,479.6
17,945.2	-17,945.2					0.0	26,631.4	43,304.6
14,176.2	1,111.2	51.6	2,469.7	220.8	2,768.3	14,819.6	12,664.4	13,175.0
11,277.0	742.6	51.6	1,220.0	220.8	2,087.2	10,983.2	6,309.4	5,328.3
2,899.2	368.6		1,249.7		681.1	3,836.4	6,355.0	7,846.7
79,498.1	-339.6	598.1	7,338.9	7,893.9	20,929.0	58,272.6	49,135.9	73,609.3
25,157.0	15.9	162.4	2,298.1	5,200.0	5,571.3	16,862.1	39,200.3	59,332.5
38.0			11.6		49.6	0.0	11,773.3	18,819.1
25,119.0	15.9	162.4	2,286.5	5,200.0	5,521.7	16,862.1	27,427.0	40,513.4
20,535.2	-23.8	152.3	1,459.0	193.2	3,647.4	18,282.1	3,811.1	5,211.7
33,805.8	-331.7	283.4	3,142.5	2,061.4	11,710.3	23,128.3	5,975.8	8,374.2
							148.7	690.9
			439.3	439.3				
292.7	-14.6			115.1	52.7	110.3	16,017.4	7,143.6
41.9					41.9	0.0	4,651.0	4,905.4
104.7				104.7		0.0	9,768.3	28.3
146.2	-14.6			10.4	10.8	110.4	1,598.1	2,209.9
111,912.1	-17,188.2	649.7	9,808.6	8,229.8	23,750.0	73,202.5	104,449.0	137,232.5

Depreciation					Book value		
01.01.2004	Currency difference and reclassification	Initial consolidation	Additions	Disposals	31.12.2004	31.12.2004	31.12.2003
27,438.1	-71.5		5,494.8	739.9	32,121.4	56,479.6	54,939.5
15,014.8	-26.8		2,957.3		17,945.2	43,304.6	44,645.2
12,423.3	-44.7		2,537.5	739.9	14,176.2	13,175.0	10,294.3
10,301.2	233.6		1,482.1	739.9	11,277.0	5,328.3	3,251.7
2,122.1	-278.3		1,055.4		2,899.2	7,846.7	7,042.6
74,100.5	-6.1	648.5	7,675.5	2,920.4	79,498.1	73,609.3	69,000.8
22,842.1	114.1	180.1	2,130.0	109.4	25,157.0	59,332.5	54,323.6
28.5			9.5		38.0	18,819.1	17,050.8
22,813.6	114.1	180.1	2,120.5	109.4	25,119.0	40,513.4	37,272.8
18,683.3	247.2	255.9	1,449.4	100.5	20,535.2	5,211.7	5,341.0
32,575.2	-367.4	212.5	3,640.7	2,255.2	33,805.8	8,374.2	8,967.0
						690.9	369.2
			455.4	455.4			
289.7	1.0	2.8	3.2	4.0	292.7	7,143.6	6,660.9
41.9					41.9	4,905.4	4,848.0
104.7					104.7	28.3	27.1
143.2	1.0	2.8	3.2	4.0	146.2	2,209.9	1,785.8
101,828.3	-76.6	651.3	13,173.4	3,664.2	111,912.2	137,232.5	130,601.2

Auditors' report

We have audited the consolidated financial statements of BWT Aktiengesellschaft, Mondsee, for the financial year running from January 1, 2005 to December 31, 2005. The preparation and content of these consolidated annual statements in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, as well as the preparation and content of the consolidated management report in accordance with Austrian regulations relating to commercial law, is the responsibility of the legal representatives of the parent company. Our responsibility is to submit an opinion, based on our audit, on these consolidated financial statements and a statement as to whether the consolidated management report is in line with the consolidated financial statements.

We conducted our audit in accordance with the legal regulations in force in Austria and with the principles of proper auditing and with the International Standards on Auditing (ISA) published by the International Federation of Accountants (IFAC). These principles require that the audit is to be planned and performed in such a way that a reasonably reliable opinion can be given about whether the consolidated financial statements are free of material misstatement, and a statement can be made regarding whether the consolidated management report is in line with the consolidated financial statements. Knowledge of the Group's business activity and its economic and legal environment, as well as expectations of possible errors are taken into consideration when deciding upon the individual actions to be carried out during the audit. During the audit we examine, for the most part by spot checks, the evidence provided to support the figures and other information in the consolidated financial statements. The audit also involves assessing the accounting principles used and the significant estimates made by the legal representatives, as well as a critical examination of the overall picture presented by the consolidated financial statements. We believe that our audit provides a reasonable basis for our assessment.

Our audit did not give rise to any objections. Based on the insights gained during the audit, it is our opinion that the consolidated financial statements are in accordance with the statutory regulations as well as the supplementary regulations contained in the memorandum and articles of association, and provides as accurate a picture as possible of the Group's net worth and financial position as at December 31, 2005 as well as of the Group's earnings position and cash flows for the financial year from January 1, 2005 to December 31, 2005 in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU. The Management Report is in line with the consolidated financial statements.

Salzburg, March 1, 2006

Deloitte Salzburg Wirtschaftsprüfungs GmbH
Auditors



Mag. Brigitte Mittendorfer
(Qualified auditor and tax consultant)



Mag. Dr. Claudia Fritscher-Notthaft
(Qualified auditor and tax consultant)

Report of the Supervisory Board

During the 2005 financial year, the Supervisory Board has met its legal and statutory obligations and was continuously informed of the position and development of the company and of the Group in the course of six meetings, as well as through verbal and written reports from the Management Board.

The annual financial statements including the Management Report for BWT Aktiengesellschaft as at December 31, 2005 and the consolidated financial statements were examined by the auditors appointed at the 15th Annual General Meeting held on May 20, 2005, Deloitte Salzburg Wirtschaftsprüfungs GmbH.

As a result of this audit, the following unqualified audit report was granted:

- The accounting and annual financial statements of BWT Aktiengesellschaft comply with the legal requirements. The annual financial statements present a true and fair view of the net worth and financial position of the company as at December 31, 2005 as well as of the earnings position of the company for the financial year beginning January 1, 2005 and ending December 31, 2005. The Management Report is in line with the annual financial statements.
- The consolidated financial statements present a true and fair view of the net worth and financial position of the Group as at December 31, 2005 as well as of the earnings position and cash flows of the Group for the financial year beginning January 1, 2005 and ending December 31, 2005 in accordance with International Financial Reporting Standards (IFRS). The Group Management Report is in line with the consolidated financial statements.

The Supervisory Board has approved the annual financial statements of BWT Aktiengesellschaft and the consolidated financial statements as at December 31, 2005 prepared by the Management Board. They are thereby endorsed in accordance with Article 125, paragraph 3 of the Austrian Joint Stock Corporation Law. Furthermore, the Supervisory Board agrees with the Management Board's proposal for the distribution of profits.

Mondsee, March 22, 2006



Dr. Leopold BEDNAR
Chairman of the Supervisory Board

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Financial Calendar 2006:

2005 Annual Results	5 April 2006
Annual General Meeting	24 May 2006
Ex-dividend date	29 May 2006
Dividend payment date	2 June 2006

Letter to Shareholders I/2006	19 May 2006
Letter to Shareholders II/2006	11 Aug. 2006
Letter to Shareholders III/2006	17 Nov. 2006

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