NOTES TO THE BWT GROUP,
CONSOLIDATED FINANCIAL STATEMENTS

BWT-GROUP

V. Notes 2006

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 German Corporate Commercial Code (UGB) 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 2006 and 2005 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. Thus on November 8, 2005 (pro rata), BWT shareholders' hitherto indirect participation in CHRIST became direct. At the same time, Christ Water Technology AG shares were listed for the first time on the Vienna Stock Exchange, with stocks listed on the Prime Market since November 8, 2005.

The deconsolidation of CHRIST WATER TECHNOLOGY AG and its subsidiaries occurred on October 31, 2005. This means that these annual financial statements of BWT AG include the results of the "AST – Aqua Systems Technology" segment up to October 31, 2005 in the consolidated profit and loss account, and the balance sheet of BWT AG at December 31, 2005 no longer contains reporting date values of the Christ Water Technology 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.

In order to create a comparable data basis from 2005 for the profit and loss account and the notes included therein, the previous year's values are shown in the rest of the present document without the spun off "AST – Segment".

General notes

Fundamentals

The BWT – Best Water Technology – Group was formed in 1990 from a management buy-out and is today Europe's leading provider of water technology in the "Residential" sector. The goal of the BWT employees 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.

BWT Aktiengesellschaft has a worldwide presence through 46 subsidiaries and had 2,202 employees as of December 31, 2006 (previous year: 2,007).

Following the spin-off of the industrial and municipalities business (the "AST – Aqua Systems Technologies" business division) in the last quarter of the previous year, segment reporting in the BWT Group was reorganised. Starting in the first quarter of 2006, responsibility for primary segment reporting was assigned to the regions. The following divisions were specified in accordance with the internal management information system:

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

The previous year's data for the AST segment which was spun off at the end of October 2005 is shown separately so that a comparable data basis can be created.

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 as at the reporting date of the consolidated financial statements. 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, 2006 includes 46 fully consolidated subsidiary companies (previous year: 40). One subsidiary was consolidated using the proportional method (previous year: 1).

The scope of consolidation during the 2006 reporting year developed as follows:

Position on January 1, 2006	41
First-time consolidation in reporting year	7
Merged during reporting year	-1
Position on December 31, 2006	47

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 to the end of 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 IFRS 3 (Business Combinations) in conjunction with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets).

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 into the reporting currency at the current exchange rate on December 31, 2006. 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:

Countervalue = 1 €	Exchange rate at		Average exchange rate	
	31.12.2006	31.12.2005	2006	2005
Swiss Franc	1,61	1,56	1,58	1,55
Polish Zloty	3,86	3,86	3,90	4,03
Hungarian Forint	250,19	252,46	263,82	248,69
Czech Koruna	27,35	29,05	28,27	29,87
American Dollar	1,32	1,18	1,26	1,24
Swedish Krone	9,04	9,39	9,25	9,30
Danish Krone	7,46	7,46	7,46	7,45
Norwegian Krone	8,24	8,00	8,05	8,01
Chinese Renminbi	10,29	9,38	10,04	9,94

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 if evidence to suggest such impairment presents itself (goodwill is always tested for value impairment once a year). 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 (except for goodwill) 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. Additionally, the 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:

	Useful life in from	to
Intangible assets		
Software	3	5
Patents, trade marks	5	10
Tangible assets		
Buildings	20	50
Investments of 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 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 the lower 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 and accruals

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. 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.

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

Monetary liabilities in foreign currencies are valued at the current exchange rate of the currency concerned on the balance sheet date.

Conversion into the functional currency

Assets and liabilities accounted for in foreign currencies are converted into the functional currency at the current exchange rate on the balance sheet date. 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, profit is realized using the 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. In addition, losses arising from participations not subject to consolidation are posted in financial expenses.

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	33 %
Italy	33 %
Spain	35 %
Denmark	30 %
Switzerland	25 %
Poland	19 %

Earnings per share

Earnings per share are calculated by dividing Group profit due to the shareholders of the parent company 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 individual value adjustments performed for receivables, the useful value in impairment tests and the 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).

Segment reporting

The company divisions are defined in terms of geographical responsibilities for primary segment reporting in accordance with the internal reporting structure. Secondary divisional reporting is performed on the basis of the main product group (point-of-entry products, point-of-use products, service, fuel cell membrane technologies and Aqua Finance).

Notes to the profit and loss account

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

NOTE 1: Sales and segment reporting

Consolidated Group sales for the BWT Group were € 362.0 million and thus were below the previous year's figure of € 463.5 million due primarily to the spin-off of the Aqua Systems Technology business segment and the resulting lack of sales volume. Assuming a comparable company structure, growth came to € 45.8 million or 14.5 %.

All company divisions contributed to this welcome increase in sales. The Austria / Germany division benefited from the first-time incorporation of newly acquired companies in the field of swimming pool technology, while the Switzerland / Others division benefited from the above-average growth in Eastern Europe (Poland in particular) as well as production activity for the CHRIST Group in Switzerland. The HOH Group achieved significant organic growth in Scandinavia.

Sales are broken down by regional responsibilities (primary breakdown) and main product group (secondary breakdown). Netting between the individual divisions is carried out on an arm's-length basis.

Breakdown by business region

2006	Austria/ Germany € 1000's	France/ Benelux € 1000's	Scandi-navia € 1000's	Italy/ Spain € 1000's	Switzer-land/ Others € 1000's	Elimi-nierung € 1000's	Gesamt-summe € 1000's
External sales	146,063.8	87,865.1	42,466.1	31,274.0	54,294.5	0.0	361,963.5
Internal sales	10,183.2	4,059.2	336.7	39.1	1,212.4	-15,830.6	0.0
Total	156,247.0	91,924.3	42,802.8	31,313.1	55,506.9	-15,830.6	361,963.5
Divisional earnings (EBIT)	**10,487.6**	**6,227.1**	**5,622.3**	**5,211.3**	**5,021.6**	**0.0**	**32,569.9**
Financial result							-772.6
Taxes on earnings							-9,577.1
Minority interests							-38.2
Profit for the year due to the shareholders of the parent company							22,182.0
Earnings per share in €							1.24
Divisional assets	118,573.8	55,462.1	21,766.0	22,274.6	55,248.7	-16,877.2	256,447.9
Liabilities	85,358.0	36,060.2	11,105.1	9,413.1	22,185.0	-16,877.2	147,244.1
Investments	6,512.8	2,421.7	558.4	340.8	920.4	0.0	10,754.1
Depreciation	-4,572.4	-1,892.2	-596.3	-216.4	-1,027.6	0.0	-8,304.9
of which unplanned depreciation	-565.7	0.0	0.0	0,0	0.0	0.0	-565.7

Breakdown by business region

2005	Austria/ Germany € 1000's	France/ Benelux € 1000's	Scandinavia € 1000's	Italy/ Spain € 1000's	Switzerland/ Others € 1000's	Eliminierung € 1000's	Zwischensumme € 1000's
External sales	128,501.1	85,688.0	37,449.6	28,681.6	35,889.0	0.0	316,209.3
Internal sales	9,362.9	2,938.6	198.8	56.1	572.4	-13,128.8	0.0
Total	137,864.0	88,626.6	37,648.4	28,737.7	36,461.4	-13,128.8	316,209.3
Divisional earnings (EBIT)	**9,801.7**	**5,400.8**	**2,375.6**	**4,419.6**	**3,702.3**	**0.0**	**25,700.0**
Financial result							-208.3
Taxes on earnings							-6,799.0
Minority interests							-138.3
Profit for the year due to the shareholders of the parent company							18,554.4
Earnings per share in €							1.04
Divisional assets	122,603.8	54,301.7	20,116.2	19,882.6	52,958.4	-21,978.8	247,883.7
Liabilities	92,662.8	36,116.2	12,704.0	8,193.1	26,844.1	-21,978.8	154,541.4
Investments	3,295.4	1,817.7	339.8	273.7	2,762.9	0.0	8,489.5
Depreciation	-3,973.0	-1,905.0	-615.0	-194.7	-790.4	0.0	-7,478.1
of which unplanned depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0

2005	Subtotal € 1000's	Aqua Systems Technologies*) € 1000's	Elimination € 1000's	Total € 1000's
External sales	316,209.3	147,329.5	0.0	463,538.8
Internal sales	0.0	2,078.3	-2,078.3	0.0
Total	316,209.3	149,407.8	-2,078.3	463,538.8
Divisional earnings (EBIT)	**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 due to the shareholders of the parent company	18,554.4	415.0		18,969.4
Earnings per share in €	1.04	0.02		1.06
Divisional assets	247,883.7	0.0	0.0	247,883.7
Liabilities	154,541.4	0.0	0.0	154,541.4
Investments	8,489.5	2,889.9	0.0	11,379.4
Depreciation	-7,478.1	-2,330.5	0.0	-9,808.6
of which unplanned depreciation	0.0	0.0	0.0	0.0

*) Sold during the spin-off in November 2005

As the spin-off of the CHRIST Group in 2005 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 2005 profit and loss account of the BWT Group with the following values:

	AST segment pro forma (unaudited) Jan.-Oct. 2005 € 1000's	BWT without AST segment Jan.-Dec. 2005 € 1000's
Sales	**147,329.5**	**316,209.3**
Other operating income	723.6	5,030.6
Change in inventory of finished and unfinished products	-78.6	465.9
Other capitalised labour, overheads and material	1,567.7	1,443.0
Materials and purchased services	-96,224.5	-120,705.2
Personnel costs	-37,694.3	-104,415.7
Depreciation	-2,330.5	-7,478.1
Other operating expenses	-11,980.0	-64,849.8
Result from operating activities	**1,312.9**	**25,700.0**
Financial income	733.1	1,885.9
Financial expenses	-1,797.6	-2,094.2
Earnings before tax	**248.4**	**25,491.7**
Taxes on income	125.7	-6,799.0
Net profit for the year	**374.1**	**18,692.7**
Of which to:		
Shareholders of the parent company	415.0	18,554.4
Minority shares	-40.9	138.3
Earnings per share in €	0.02	1.04

The CHRIST Group is included in the 2005 cash flow statements with the following net cash flow:

	31.10.2005 pro forma (unaudited) € 1000's
CASH FLOW from operating activities	2.897,7
CASH FLOW from investment activities	-2.018,2
CASH FLOW from financing activities	3.820,8
Change in liquid funds	4.700,3

Breakdown by main product group (secondary breakdown)

2006	Point of entry products € 1000's	Point of use products € 1000's	Service € 1000's	Others (FCMT+AFI) € 1000's	Elimination € 1000's	Total € 1000's
External sales	327,200.7	4,000.6	73,788.4	2,481.2	-45,507.2	361,963.5
Divisional assets	246,875.8	5,077.7	41,737.4	28,978.7	-66,221.7	256,447.9
Investments	7,640.3	1,804.0	1,193.8	116.0	0.0	10,754.1

2005	Point of entry products € 1000's	Point of use products € 1000's	Service € 1000's	Others (FCMT+AFI) € 1000's	Elimination € 1000's	Subtotal € 1000's
External sales	282,096.6	1,433.5	68,392.7	1,259.1	-36,972.6	316,209.3
Divisional assets	246,590.6	2,321.5	39,533.1	25,443.7	-66,005.2	247,883.7
Investments	5,891.5	502.0	1,997.8	98.2	0.0	8,489.5

2005	Subtotal € 1000's	Aqua Systems Technologies € 1000's	Total € 1000's
External sales	316,209.3	147,329.5	463,538.8
Divisional assets	247,883.7	0.0	247,883.7
Investments	8,489.5	2,889.9	11,379.4

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

The other operating income is as follows:

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	incl. AST segment 2005 € 1000's
Income from disposal of tangible assets	114.5	-104.9	-76.5
Licensing revenues	411.4	351.0	753.7
Proceeds from the writeback of provisions	590.8	1,309.0	2,157.6
Proceeds from bonus / provision agreements	898.2	296.0	0.0
Other	3,333.8	3,179.5	2,919.4
Total	**5,348.7**	**5,030.6**	**5,754.2**

The other income principally consists of proceeds from the further settlement of transport costs as well as administration services.

The capitalized labor, overheads and material of € 1,026,300 (previous year: € 1,443,000) principally consist of development costs which must be capitalized in accordance with IFRS.

NOTE 3: Personnel expenses

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	incl. AST segment 2005 € 1000's
Wages	12,791.0	12,036.6	16,450.7
Salaries	73,533.2	67,247.5	91,875.8
Expenses for severance payments and pensions	1,787.1	3,266.9	4,006.2
Legally required social security contributions	21,317.0	19,727.0	26,117.2
Other social security contributions	2,618.8	2,137.7	3,660.1
Total	**112,047.2**	**104,415.7**	**142,110.0**

The average number of employees developed as follows:

	2006	without AST segment pro forma (unaudited) 2005	incl. AST segment 2005
Administration	1,535	1,493	1,987
Production	556	481	624
Trainees and apprentices	34	33	42
Total	**2,125**	**2,007**	**2,653**

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:

2006	Expenses for severance payments € 1000's	Expenses for pensions € 1000's
Management Board	40.0	0.0
Executives	89.5	46.2
Others	639.3	972.1
Total	**768.8**	**1,018.3**

2005 without AST segment pro forma (unaudited)	Expenses for severance payments € 1000's	Expenses for pensions € 1000's
Management Board	248.5	0.0
Executives	88.2	68.4
Others	890.4	1,971.4
Total	**1,227.1**	**2,039.8**

2005 incl. AST segment	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**

The Management Board did not receive any anniversary payments in 2004 and 2006.

NOTE 4: Depreciation on tangible and intangible assets

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	incl. AST segment 2005 € 1000's
Scheduled depreciation on tangible and intangible assets	7,739.2	7,478.1	9,808.6
Unscheduled depreciation	565.7	0.0	0.0
Total	**8,304.9**	**7,478.1**	**9,808.6**

In 2006, there was unscheduled depreciation for development costs totaling T€ 565.7 (previous year: 0). The assumptions about the remaining term were changed.

NOTE 5: Other operating expenses

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	insl. AST segment 2005 € 1000's
Advertising expenses	9,136.4	9,358.1	10,215.5
Fleet and travel costs	9,062.9	9,181.1	11,685.3
Freight and warehousing	7,851.4	6,943.6	7,024.0
Personnel from third parties	3,855.2	3,153.7	3,901.2
Rental and leasing expenses	8,430.3	7,050.9	9,403.9
Consultancy costs	2,618.7	2,994.1	4,513.4
Office, postal and telephone expenses	4,297.8	4,213.2	5,679.1
Commissions	5,020.9	4,494.7	4,505.0
Insurance premiums	1,993.1	1,818.3	2,393.4
Maintenance	2,731.4	1,889.0	2,831.5
Energy and fuel	1,590.7	1,251.0	1,804.5
Risk on receivables	1,788.5	505.6	1,365.7
Other taxes and fees	2,261.6	2,050.4	2,434.5
Cleaning expenses	828.3	764.3	975.6
Other	6,995.5	9,181.8	8,097.2
Total	**68,462.7**	**64,849.8**	**76,829.8**

NOTE 6: Financial result

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	incl. AST segment 2005 € 1000's
Income from participations	937.7	954.2	954.2
Earnings from other securities	40.5	33.4	644.7
On the interest and similar income	535.2	898.3	1,336.0
Total	**1,513.4**	**1,885.9**	**2,934.9**
Expenses from participations	-208.9	0.0	0.0
Interest and similar expenses	-2,077.1	-2,094.2	-4,207.7
Total	**-2,286.0**	**-2,094.2**	**-4,207.7**

NOTE 7: Taxes on income and earnings

Calculated according to IFRS principles, the effective tax rate for the 2006 financial year was approximately 30.1 %, and 26.7 % for the 2005 financial year.

The current tax expenditure has been calculated as follows:

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	incl. AST segment 2005 € 1000's
Tax expenditure of the financial year			
Austria	2,571.8	-161.4	348.1
Abroad	7,077.5	4,538.5	4,770.9
Deferred tax expenditure/income			
Austria	-1,093.5	1,430.8	211.1
Abroad	1,021.3	991.1	1,343.2
Total	**9,577.1**	**6,799.0**	**6,673.3**

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

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	incl. AST segment 2005 € 1000's
Earnings before tax	31,797.3	25,491.7	25,740.1
Tax expenditure at the tax rate of 25 % (previous year: 25%)	7,949.3	6,372.9	6,435.0
Difference in foreign tax rates	1,099.0	983.6	1,220.0
tax allowance for research activities	-56.6	-48.3	-48.3
Tax-exempt income from participations	-291.4	-267.5	-267.5
Other	876.8	-241.7	-665.9
Effective tax liability	**9,577.1**	**6,799.0**	**6,673.3**
Effective tax rate	**30,1 %**	**26,7 %**	**25,9 %**

The Other item includes loss carryforwards for which deferred taxes were capitalized as well as the effect of consolidation.

Notes to the balance sheet

NOTE 8: Intangible assets and tangible 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 2006 financial year, expenses for product and process innovation totaling € 793,200 (previous year: € 1,160,400) were capitalized. Expenses for research and development projects amounted to € 5.1 million (previous year: € 5.4 million).

The balance sheet position "Land and buildings" contains land of € 11,951,300 (previous year: € 18,819,100).

The collateral value for mortgage securities amounts to € 2,526,100 (previous year: € 5,188,500).

The order commitment for major investment projects totaled € 1,365,500 (previous year: € 135,000) as at December 31, 2006.

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, 2006, the capitalized value amounts to € 2,658,300 (previous year: € 2,802,900) and is classified as "Land and buildings" in the balance sheet.

Tangible assets used under leasing contracts	2006 € 1000's	2005 € 1000's
Purchase cost of tangible assets	4,139.1	4,139.1
Cumulative depreciation	1,480.8	1,336.2
Book value of tangible assets	2,658.3	2,802.9
Minimum leasing instalments payable as of the balance sheet date	933,3	1.442,9
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	381,2	880,7
Discount rate applied	6,849 %	6,849 %

NOTE 9: Financial assets

Financial assets	Book value 31.12.2006 € 1000's	Book value 31.12.2005 € 1000's
Participations	5,296.4	4,651.0
Securities	1,531.4	1,598.1
Loans	0.0	9,768.3
Total	**6,827.8**	**16,017.4**

Participations relate to shareholdings in the following companies:

Company	Shares	Book value 31.12.2006 € 1000's	Book value 31.12.2005 € 1000's
Nomura Micro Science Co. Ltd., Japan	5 %	996.0	996.0
Wiener Börse AG, Österreich	1 %	274.5	274.5
ADDUXI S.A., Frankreich	23 %	52.6	52.6
Syclope, Frankreich	20 %	147.5	2.4
Male Water & Sewarage Company Ltd	12 %	3,084.6	3,091.4
Other		741.2	234.1
Total		**5,296.4**	**4,651.0**

Securities are composed as follows:

Securities	31.12.2006 € 1000's	31.12.2005 € 1000's
Shares in investment funds	962.9	1,014.6
Other	568.5	583.5
Total	**1,531.4**	**1,598.1**

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

NOTE 10: Inventories

Inventories	2006 € 1000's	2005 € 1000's
Raw materials and supplies	19,711.1	15,878.8
Unfinished goods	5,599.3	4,362.3
Finished goods and products	24,318.8	22,256.8
Services not yet invoiced	860.7	853.1
Prepayments	1,949.4	1,290.2
Total	**52,439.3**	**44,641.2**

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

Material expenses	31.12.2006 € 1000's	without AST segment pro forma (unaudited) 31.12.2005 € 1000's	incl. AST segment 31.12.2005 € 1000's
Cost of materials	137,479.6	114,826.5	161,095.7
Cost of purchased services	11,159.8	5,878.7	55,834.0
Total	**148,639.4**	**120,705.2**	**216,929.7**

Depreciation for inventories amounts to € 538,600 (previous year: € 288,000).

NOTE 11: Receivables and other assets

2006	Total € 1000's	of which short-term € 1000's	of which long-term € 1000's
Trade receivables	66,506.8	66,424.7	82.1
Receivables from long-term orders	5,193.7	5,193.7	0.0
Receivables from companies in which a participation is held	1,182.0	1,048.4	133.6
Income tax reimbursement claims	2,119.6	2,119.6	0.0
Other receivables and assets	5,877.2	5,565.7	311.5
Total	**80,879.3**	**80,352.1**	**527.2**

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	5,304.5	4,468.5	836.0
Total	**73,719.2**	**72,606.0**	**1,113.2**

The receivables and other assets are reduced by necessary individual value adjustments of € 3,528,100 (previous year: € 2,283,200).

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	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's
Revenue in financial year	16.096,9	11.585,5
Costs incurred to December 31	19.402,6	17.112,6
Realized profits to December 31	5.004,6	4.697,8
Realized losses to December 31	254,2	645,6
Prepayments	22.328,5	19.172,3

The prepayments were, where possible, offset against receivables from long-term orders. Long-term orders with debit balances to customers of € 3,369,200 (previous year: € 2,593,400) are posted under other liabilities.

NOTE 13: Other receivables

The "Other receivables and assets" item contains € 586,700 (previous year: € 74.5) which fall due 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

	31.12.2006 € 1000's	31.12.2005 € 1000's
Bank balances	13,989.6	18,368.5
Cash in hand	185.5	180.8
Checks	38.0	0.0
Cash equivalents	10.3	10.5
Total = liquid funds (net) according to the cash flow statement	**14,223.4**	**18,559.8**

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:

	31.12.2006 € 1000's	31.12.2005 € 1000's
Deferred tax claims:		
Social capital provisions	2,458.1	2,673.9
Deferred tax claims arising form tax loss carryforwards	318.3	843.0
Intangible assets	1,123.1	1,596.8
Receivables valuation	420.0	0.0
Other (temporary valuation differences)	1,218.9	1,400.7
Deferred tax claims	**5,538.4**	**6,514.4**
Deferred tax claims		
Tangible fixed assets	3,083.1	2,388.1
Other (temporary vlauation differences)	1,251.9	1,322.3
Deferred tax liabilities	**4,335.0**	**3,710.4**

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 € 318,300 (previous year: € 843,000) 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:

	2006 € 1000's	without AST segment pro forma (unaudited) 2005 € 1000's	incl. AST segment 2005 € 1000's
Corporation tax for the financial year (actual amount)	9,434.1	4,336.7	5,082.9
Late payments of corporation tax relating to prior years	215.2	40.4	36.1
Changes in deferred taxes	-72.2	2,421.9	1,554.3
Total	**9,577.1**	**6,799.0**	**6,673.3**

NOTE 16: Shareholders' 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 the BWT Group are YSRO Holding B.V. (approx. 31.6 %) and WAB Privatstiftung (previously known as BWT Privatstiftung – approx. 18.9%). The free float of 49.5 % 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 and (actuarial profits/losses less tax due) directly recorded in equity. Currency conversion differences are recorded as other reserves.

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 majority shares.

The spin-off of CHRIST WATER TECHNOLOGY AG in the previous year was treated as a so-called "surrender of property" in 2005 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". In 2006, earlier uncertainties were eliminated by retroactively changing the spun-off asset. This led to adjustment of tax accruals totaling € 1,428,200.

NOTE 17: Provisions for social overhead 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 came into effect on January 1, 2006 but the Management Board had already taken these changes into account in the 2005 financial year.

Pensions provisions

At BWT AG, Mondsee, as well as international subsidiaries in Germany, France and Italy, 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	2006	2005	2004
Actuarial discount rate	4.00 % – 4.33 %	4.33 % – 5.00 %	4.50 % – 5.00 %
Wage/salary trend	1.0 % – 2.0 %	1.0 % – 2.0 %	1.0 % – 2.0 %
Pension trend	1.0 % – 2.0 %	1.0 % – 2.0 %	1.0 % – 2.0 %

	2006 € 1000's	2005 € 1000's	2004 € 1000's
Present value of pension obligations as of January 1	22.472,1	19.975,7	17.926,5
Disposal of CHRIST Group	0,0	-325,0	0,0
Expenses arising from time in service	232,5	397,5	171,5
Interest expenses	932,5	1.159,0	1.049,1
Pension payments	-1.571,1	-973,9	-893,6
Actuarial profits/losses	-603,4	2.238,8	1.722,2
Present value of pension obligations as of December 31	**21.462,6**	**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 French 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:

Biometrische Rechnungsgrundlagen	2006	2005	2004
Actuarial discount rate	4,33 %	4,33 %	4,5 %
Wage/salary trend	2,0 %	2,0 %	2,0 %
Pension trend	2,0 %	2,0 %	2,0 %

	2006 € 1000's	2005 € 1000's	2004 € 1000's
Present value of severance payment obligations as of January 1	5,351.6	6,755.2	5,248.4
Changes to the scope of consolidation	0.0	0.0	14.8
Reclassification	-860.2	0.0	0.0
Disposal of CHRIST Group	0.0	-1,595.1	0.0
Expenses arising from time in service	225.9	88.3	1,536.8
Interest expenses	229.5	211.0	262.4
Severance payments	-379.5	-61.6	-108.7
Actuarial profits/losses	-13.5	-46.2	-198.5
Present value of severance obligations as of December 31	**4,553.6**	**5,351.6**	**6,755.2**

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

Due to changes to the law in Germany, partial retirement provisions totaling € 860,200 were reclassified as other liabilities.

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	2006	2005	2004
Actuarial discount rate	4,33 %	4,33 %	4,5 %
Wage/salary trend	2,0 %	2,0 %	2,0 %
Pension trend	2,0 %	2,0 %	2,0 %

	2006 € 1000's	2005 € 1000's	2004 € 1000's
Present value of provisions for anniversary payments as of January 1	394,2	362,6	340,3
Changes to the scope of consolidation	22,8	0,0	0,0
Reclassification	-70,8	0,0	0,0
Disposal of CHRIST Group	0,0	-12,8	0,0
Expenses arising from time in service	24,6	43,1	26,3
Interest expenses	13,8	13,9	13,5
Provisions for anniversary payments	-8,3	-22,1	-9,2
Actuarial profits/losses	5,6	9,5	-8,3
Present value of provisions for anniversary payments as of December 31	**381,9**	**394,2**	**362,6**

Due to changes to the law in Germany, provisions for anniversary payments totaling € 70,800 were reclassified as other liabilities.

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. 2006 € 1000's	Change in scope of consoli-dation € 1000's	Currency differ-ence € 1000's	Deploy-ment € 1000's	Write-back € 1000's	Alloca-tion € 1000's	31.12. 2006 € 1000's	of which long-term € 1000's
Personnel expenses	8,596.2	62.5	-12.9	5,909.2	116.2	6,044.6	8,665.0	0.0
Guarantees	3,448.0	6.8	-5.0	2,879.2	152.5	3,170.3	3,588.4	333.6
Other	3,217.4	20.2	-2.9	2,060.4	322.1	4,306.2	5,158.4	1,395.8
	15,261.6	**89.5**	**-20.8**	**10,848.8**	**590.8**	**13,521.1**	**17,411.8**	**1,729.4**

Other provisions	1.1. 2005 € 1000's	Change in scope of consoli-dation € 1000's	Disposal of CHRIST Group € 1000's	Currency differ-ence € 1000's	Deploy-ment € 1000's	Write-back € 1000's	Alloca-tion € 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 4.255 % (previous year: 3.012%) (see Note 24: 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

2006	Total € 1000's	of which with a remaining term of <1 year € 1000's	of which with a remaining term between 1-5 years € 1000's	of which with a remaining term of >5 years € 1000's	of which with a remaining term of >1 year secured € 1000's
Bonds	17,000.0	0.0	17,000.0	0.0	0.0
Interest-bearing financial liabilities	21,909.1	15,191.8	6,469.1	248.2	1,914.6
Trade payables	30,196.9	30,196.9	0.0	0.0	0.0
Payables to companies in which a participation is held	0.2	0.2	0.0	0.0	0.0
Other	24,580.5	23,810.9	702.4	67.2	0.0
of which: Customer advances	3,516.6	3,516.6	0.0	0.0	0.0
Drafts and notes payable	4,260.4	4,260.4	0.0	0.0	0.0
Remaining liabilities	16,803.5	16,033.9	702.4	67.2	
	93,686.7	**69,199.8**	**24,171.5**	**315.4**	**1,914.6**

2005	Total € 1000's	of which with a remaining term of <1 year € 1000's	of which with a remaining term between 1-5 years € 1000's	of which with a remaining term of >5 years € 1000's	of which with a remaining term of >1 year secured € 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
Payables to companies in which a participation is held	72.6	72.6	0.0	0.0	0.0
Other	21,390.6	20,279.9	1.110.7	0.0	0.0
of which: 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
Remaining liabilities	14,503.7	13,393.0	1,110.7	0.0	0.0
	103,993.8	**74,192.9**	**27,483.7**	**2,317.2**	**5,188.5**

"Other liabilities" include amongst other things other tax liabilities of T€ 5,063.0 (previous year: T€ 4,986.4) and other social security obligations of T€ 2,289.4 (previous year: T€ 2,328.0).

The securities on properties referred to above are mainly liens.

Other liabilities contain expenses of T€ 642.9 (previous year: T€ 471.3) which fall due after the balance sheet date.

NOTE 21: 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:

2006	€ 1000's
2007	8,418.3
2008 – 2011	8,920.4
Thereafter	376.3

2005	€ 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€ 8,430.3 (previous year: T€ 9,403.9).

Sureties and guarantees

The company has assumed the following sureties and guarantees:

	31.12.2006 € 1000's	**31.12.2005** € 1000's
Sureties and bank guarantees	8,191.3	15,775.3
Liabilities arising from bills of exchange	263.1	216.7
Others	250.0	163.5
	8,704.4	**16,155.5**

The sureties and guarantees include liabilities of T€ 504.0 (previous year: T€ 8,995.0) for subsidiaries of the CHRIST Group, for which BWT AG accepted releases from liability on the part of CHRIST WATER TECHNOLOGY AG, Mondsee.

Outstanding legal disputes

There are no legal disputes above and beyond what should be expected. 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 item "Outflows for the acqusition of minority shares and the acqusition of participations". 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 22: 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€ 26,914.9 (previous year: T€ 26,404.5) includes changes in current assets

NOTE 23: Cash flow from investment activities

Purchases of tangible assets and financial assets resulted in outflows of T€ 10,754.2 (previous year: T€ 8,981.4).

For the acquisition of companies, there were outflows of T€ 7,191.3 (previous year: 350.0).

in € 1000's	Initial consolidation					
	from 1.1.2006 HAGA	from 31.12.2006 Infinity	from 21.4.2006 hobby-pool	from 1.1.2006 INET	from 20.7.2006 ANNA	Total
Long-term assets	932.6	39.3	120.0	536.6	4,050.0	5,678.5
Short-term assets	800.1	897.6	1,531.2	537.6	350.0	4,116.5
TOTAL ASSETS	**1,732.7**	**936.9**	**1,651.2**	**1,074.2**	**4,400.0**	**9,795.0**
Equity	534.4	129.3	1,651.2	750.5	4,400.0	7,465.4
Long-term liabilities	606.4	0.0	0.0	1.2	0.0	607.6
Short-term liabilities	591.9	807.6	0.0	322.5	0.0	1,722.0
TOTAL LIABILITIES	**1,732.7**	**936.9**	**1,651.2**	**1,074.2**	**4,400.0**	**9,795.0**
Acquired share in equity	534.4	129.3	1,651.2	600.4	4,400.0	7,315.3
Goodwill						1,106.6
Purchase price						8,421.9
Change to purchase price provisions						-1,000.0
Minus acquired liquid funds						-230.6
Cash flow for the acquisition minus acquired liquid funds						-7,191.3
2006 sales						9,085.7
2006 net profit						567.9

NOTE 24: Financial instruments

Financial risk management

Fair value

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.

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.

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.

To control and optimize liquidity, a consolidated financing company within the Group which also contains the existing cash pools has been available since the 2005 reporting year. The assessment strategy of the BWT Group is based on cooperation with financial partners of impeccable credit standing.

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, e.g. 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 interestbearing 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.

Financial liabilities 2006

Financial obligations to non-banks

2006	Local currency	Nominal in local currency € 1000's	Book value € 1000's	Effektive interest rate in %
Bond	EUR	17,000	17,000	4.26
		Subtotal	**17,000**	
Other	EUR	2,676	2,676	7.93
	CZK	2,996	110	8.50
	DKK	2,245	301	4.97
		Subtotal	**3,087**	
		Total	**20,087**	

Fixed-interest financial liabilities to banks

2006	Local currency	Nominal in local currency € 1000's	Book value € 1000's	Effektive interest rate in %
Loans	EUR	6,248	6,248	3.78
	CHF	2,100	1,306	3.00
		Subtotal	**7,554**	
Advances	EUR	2,162	2,162	3.92
	CHF	1,010	630	2.38
		Subtotal	**2,792**	
		Total	**10,346**	

Variable-interest financial liabilities to banks

2006	Local currency	Nominal in local currency € 1000's	Book value € 1000's	Effektive interest rate in %
Loans	EUR	3,655	3,655	3.45
	CHF	1,226	762	2.25
	CZK	11,968	438	4.30
	HUF	7,393	30	6.60
		Subtotal	**4,885**	
Current account	EUR	3,370	3,370	3.79
	CHF	355	222	2.23
		Subtotal	**3,592**	
		Total	**8,477**	

The other interest-bearing financial obligations to non-banks mainly consist of subordinated loans as part of the purchase agreement for the Anna table water filter business.

Financial liabilities 2005

Financial obligations to non-banks

2005	Local currency	Nominal in local currency € 1000's	Book value € 1000's	Effektive interest rate in %
Loans	EUR	17,000	17,000	3.01
		Total	**17,000**	

Fixed-interest financial liabilities to banks

2005	Local currency	Nominal in local currency € 1000's	Book value € 1000's	Effektive interest rate in %
Loans	EUR	10,675	10,675	3.67
	CHF	3,300	2,121	2.92
		Subtotal	**12,796**	
Advances	EUR	2,567	2,567	3.01
	CHF	15,403	9,942	1.23
		Subtotal	**12,509**	
		Total	**25,305**	

Variable-interest financial liabilities to banks

2005	Local currency	Nominal in local currency € 1000's	Book value € 1000's	Effektive 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
		Subtotal	**9.535**	
Current account	EUR	769	769	4.20
	USD	2,551	2,154	5.14
	PLN	426	110	5.40
		Subtotal	**3,033**	
		Total	**12,568**	

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 with regard to the fair market value risk. The management is of the opinion that the risk of interest rate changes with financial investments and other liabilities is insignificant.

Derivative financial instruments

In order to hedge the risk of the interest rate changing, the BWT Group concluded the following derivatives:

	31.12.2006 Nominal amount € 1000's	31.12.2006 Market value € 1000's	31.12.2005 Nominal amount € 1000's	31.12.2005 Market value € 1000's
Interest rate swap 1999 – 2009	17,000.0	802.6	17,000.0	1,691.3
Interest rate swap 1999 – 2009	17,000.0	257.0	17,000.0	342.9
Interest rate swap 2006 – 2008	2,400.0	-21.9	0.0	0.0
Cap EUR 2004 – 2006	0.0	0.0	5,000.0	3.5
Cap EUR 2005 – 2008	3,000.0	54.7	3,000.0	33.2

	Currency	31.12.2006 Nominal amount	31.12.2006 Market value € 1000's	31.12.2005 Nominal amount	31.12.2005 Market value € 1000's
Sale call	TCHF	0.0	0.0	7,525.0	-1.0
Sale call	TCHF	0.0	0.0	4,559.0	-52.0
Purchase put	TCHF	0.0	0.0	4,559.0	19.3
Sale of 2006 – 2013 swap option	TEUR	3,600.0	-35.1	0.0	0.0

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

	Currency	31.12.2006 Nominal amount	31.12.2006 Market value € 1000's	31.12.2005 Nominal amount	31.12.2005 Market value € 1000's
Sale of USD futures against DKK	TUSD	1.660,0	29,5	0,0	0,0
Purchase of USD futures against EUR	TUSD	829,7	2,6	4.558,0	273,4

The remaining durations of the currency futures contracts are all less than one year. Determining the fair market value 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 25: 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 2006, companies of the CHRIST Group supplied companies of the BWT Group with materials totaling T€ 5,644.7 (previous year: T€ 2,548.8) and and services to the value of T€ 1,249.0 (previous year: T€ 0). Conversely, those deliveries and services performed by the BWT Group for the CHRIST Group amounted to T€ 13,806.7 (previous year: T€ 4,204.5), T€ 9,019.0 of which was accounted for by the Christ Aqua Ecolife AG deliveries for the CHRIST Group. On the balance sheet date of December 31, 2006, the BWT Group is due T€ 2,325.5 (previous year: T€ 2,624.3) from the CHRIST Group with liabilities of T€ 859.3 (previous year: 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. The reversal of this contract was finalized in March 2006. The earnings effect came to T€ 138.3.

In the financial year 2005 BWT group company "Christ Aqua Ecolife AG", CH and CHRIST company "Christ Pharma & Life Science AG", CH, have agreed on a license contract regarding the "Septron"-module. This agreement was supplemented by a rental and comission agreement in 2006. The amounts accounted are included in the figures indicated above for the delivery and cost accounting with the CHRIST companies.

Andreas Weissenbacher – CEO of BWT AG – is co-manager of Aqua Engineering GmbH, which is owned by the CHRIST Group, and Gerhard Speigner – a member of the Management Board at BWT AG – is co-manager of CWT Financial Services GmbH.

The managers of Anna International Ltd. have provided the company with a subordinated loan worth T€ 1,500.0.

NOTE 26: 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).

The total remuneration of the members of the BWT AG Management Board totaled in the financial year T€ 654.2 (previous year: T€ 862.8). No payments were made to former members of the Management Board or their descendants.

Information on corporate bodies

The total remuneration of the members of the BWT AG Management Board totaled in the financial year T€ 654.2 (previous year: T€ 862.8). 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 2006 financial year. There are no loans or credit guarantees to members of the Management or Supervisory Board.

During the 2006 financial year, the members of the Management Board were:

Andreas Weissenbacher (Chairman)
Gerhard Speigner

During the 2006 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.

	2006	2005
Gross profit in € 1000's	22,182.0	18,969.4
Weighted number of outstanding shares	17,833,500	17,833,500
Earnings per share in €	1.24	1.06

Proposal for profit distribution

According to the stipulations of the Austrian Stock Law, the annual financial statements for BWT AG as at December 31, 2006, which have been prepared according to Austrian accounting regulations, provide the basis for the payment of the dividend.

The Management Board proposes the following profit distribution to the Annual General Meeting on May 24, 2007:

a) that a dividend of € 0.35 per share, in total € 6,241,725.00 be distributed for the 17,833,500 shares (ISIN AT0000737705).

b) that the remaining amount be carried forward to the new financial year.

On March 1, 2007, the consolidated financial statements in accordance with IFRS as at December 31, 2006, were approved by the Management Board. On March 1, 2006, the consolidated financial statements as at December 31, 2005, were approved by the Management Board for presentation to the Supervisory Board.

Mondsee, March 1, 2007

Andreas Weissenbacher Chief Executive Officer	Gerhard Speigner Chief Financial Officer

V.1. OVERVIEW OF THE MATERIAL PARTICIPATIONS

As of December 31, 2006, the scope of consolidation comprises the following companies:

Abbreviation	Company, location	Total in %	Indirectly in %	via	Consoli-dation
BWT	BWT Aktiengesellschaft Mondsee				
AS	Aqua Service GmbH, Mondsee	100,000%			F
BWTGS	BWT Group Services GmbH, Wien	100,000%	100,000%	AS	F
BWTUSA	BWT USA Inc., Carlsbad / California	100,000%	100,000%	BWTGS	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
ANNA	ANNA International Limited, Sliema	100,000%	100,000%	BWTM	F
APS	Arcana Pool Systems GmbH, Wien	100,000%			F
NEHER	Manufactur für Glas und Spiegel GmbH, Villach	100,000%			F
BWTD	BWT Wassertechnik GmbH, Schriesheim	100,000%			F
W&MD	Water & More GmbH, Wiesbaden	100,000%	100,000%	BWTD	F
W&MI	WATER & MORE ITALIA S.R.L., Bresso	100,000%	99,800%	W&MD	F
			0,200%	CCI	F
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%	99,800%	BWTF	F
			0,200%	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				
HOHSCOV	Safety Covers ApS, Auning	100,000%	100,000%	HOHDK	F
HOHMILJO	Miljo Contractors A/S, Greve	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
BWTPRC	BWT Water Technology (Shanghai) Co. Ltd.	100,000%			F

F = Fully consolidated

Development of fixed assets (Appendix V.2.)

2006	Acquisition/production cost					
	01.01.2006	Currency difference and reclassification	Initial consoli-dation	Additions	Disposals	31.12.2006
Intagible assets	**54,115.4**	**-102.9**	**5,181.7**	**1,464.1**	**1,632.5**	**59,025.7**
Goodwill	26,631.4	-969.8	1,106.7	–	–	26,768.3
Other intangible assets	27,484.0	866.9	4,075.0	1,464.1	1,632.5	32,257.5
Concession, rights, licenses	17,292.6	873.2	4,075.0	670.8	1,632.5	21,279.2
R & D capitalized (self-provided)	10,191.4	-6.3	–	793.2	–	10,978.3
Tangible assets	**107,408.5**	**-144.9**	**2,414.9**	**8,732.8**	**2,744.0**	**115,667.2**
Land and Buildings	56,062.4	-118.8	1,576.4	741.9	379.6	57,882.3
Lands	11,773.3	-19.6	156.9	40.7	–	11,951.3
Buildings	44,289.1	-99.2	1,419.5	701.2	379.6	45,931.0
Technical equipment and machinery	22,093.2	219.6	400.7	2,771.7	25.5	25,459.7
Factory and office equipment	29,104.2	-137.6	437.2	2,520.8	1,769.4	30,155.1
Prepayments and construction in progress	148.7	-108.1	0.5	2,129.0	–	2,170.0
Low-value assets	–	–	–	569.5	569.5	–
Financial assets	**16,127.7**	**286.1**	**47.7**	**557.3**	**10,080.7**	**6,938.1**
Participating interests	4,651.0	291.0	25.0	540.0	210.6	5,296.4
Loans	9,768.3	-27.6	–	–	9,740.6	–
Other financial assets	1,708.4	22.8	22.7	17.3	129.5	1,641.7
TOTAL	**177,651.5**	**38.3**	**7,644.2**	**10,754.1**	**14,457.2**	**181,631.0**

2005	Acquisition/production cost						
	01.01.2005	Currency difference and reclassification	Initial consoli-dation	Additions	Disposals	Deconsoli-dation of CHRIST Group	31.12.2005
Intagible 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 (self-provided)	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**

Depreciation						Book value	
01.01.2006	Currency difference and reclassification	Initial consoli-dation	Addition	Disposal	31.12.2006	31.12.2006	31.12.2005
14,819.6	**-27.6**	**–**	**2,729.4**	**1,632.5**	**15,888.9**	**43,136.8**	**39,295.7**
–	–	–	–	–	–	26,768.2	26,631.4
14,819.6	-27.6	–	2,729.4	1,632.5	15,888.8	16,368.6	12,664.4
10,983.2	-23.8	–	1,160.8	1,632.5	10,487.6	10,791.5	6,309.4
3,836.4	-3.8	–	1,568.6	–	5,401.2	5,577.1	6,355.0
58,272.6	**-14.9**	**859.0**	**5,575.5**	**2,427.9**	**62,264.3**	**53,402.9**	**49,135.9**
16,862.1	-2.7	312.4	1,736.8	178.6	18,729.9	39,152.4	39,200.3
–	–	–	–	–	–	11,951.3	11,773.3
16,862.1	-2.7	312.4	1,736.8	178.6	18,729.9	27,201.1	27,427.0
18,282.1	6.1	327.7	1,150.7	16.7	19,749.9	5,709.8	3,811.1
23,128.3	-18.3	218.9	2,118.6	1,663.1	23,784.5	6,370.6	5,975.8
–	–	–	–	–	–	2,170.0	148.7
–	–	–	569.5	569.5	–	–	–
110.3	**–**	**–**	**–**	**–**	**110.3**	**6,827.8**	**16,017.4**
–	–	–	–	–	–	5,296.4	4,651.0
–	–	–	–	–	–	–	9,768.3
110.4	–	–	–	–	110.4	1,531.4	1,598.1
73,202.5	**-42.6**	**859.0**	**8,304.9**	**4,060.4**	**78,263.5**	**103,367.5**	**104,449.0**

Depreciation							Book value	
01.01.2005	Currency difference and reclassification	Initial consoli-dation	Additions	Disposals	Deconsoli-dation 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	–	–	–	–	–	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	–	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	–	4,651.0	4,905.4
104.7	–	–	–	104.7	–	–	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**

Auditors' report

(report of the independent auditors)

Report on the consolidated financial statements

We have audited the enclosed consolidated financial statements of BWT Aktiengesellschaft, Mondsee, for the financial year running from January 1, 2006 to December 31, 2006. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2006, the consolidated profit and loss account, the consolidated cash flow statement and the consolidated shareholders' equity for the financial year ended December 31, 2006, as well as a summary of the material accounting and valuation principles applied and other information in the notes.

Responsibility of the legal representatives for the consolidated financial statements

The legal representatives of the company are responsible for preparing the consolidated financial statements that provide as accurate a picture as possible of the Group's net worth, financial and earnings position in accordance with the International Financial Reporting Standards (IFRSs), as they are to be applied in the EU. This responsibility includes: layout, implementation and maintenance of an internal control system, to the extent this is of significance for preparing the consolidated financial statements and the provision of as accurate a picture as possible of the Group's net worth, financial and earnings position, so that these consolidated financial statements are free of material misstatement, regardless of whether this is the result of intentional or accidental errors; the selection and use of suitable accounting and valuation principles; the carrying out of estimates which appear reasonable taking into account the given conditions.

Responsibility of the auditors

Our responsibility is to submit an opinion, based on our audit, on these consolidated financial statements. We conducted our audit in accordance with the legal regulations in force in Austria and with the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we comply with the rules of professional conduct and that the audit is to be planned and performed in such a way that we can form a reasonably reliable opinion about whether the consolidated financial statements are free of material misstatement.

An audit involves carrying out individual actions to obtain evidence during the audit to support the figures and other information in the consolidated financial statements. The individual actions are selected at the discretion of the auditors, taking into account their assessment of the risk of material misstatement occurring regardless of whether this is the result of intentional or accidental errors. In undertaking these risk assessments, the auditor takes into account the internal control system, to the extent that it is significant for the preparation of the consolidated financial statements and the provision of as accurate a picture as possible of the Group's net worth, financial and earnings position, in order to determine suitable individual actions, although not to pass judgment on the effectiveness of the Group's internal control system. The audit also involves assessing the appropriateness of the accounting and valuation 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 we have obtained sufficient and appropriate evidence during the audit for the latter to provide a reasonable basis for our assessment.

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 and provide as accurate a picture as possible of the Group's net worth and financial position as at December 31, 2006 as well as of the Group's earnings position and cash flows for the financial year from January 1, 2006 to December 31, 2006 in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU.

Report on the consolidated management report

The consolidated management report is to be assessed, based on the statutory regulations in force in Austria, as to whether it is in line with the consolidated financial statements and whether the other information in the consolidated management report suggests an accurate Group situation.

In our opinion the consolidated management report is in line with the consolidated financial statements.

Salzburg, March 2, 2007

Deloitte Salzburg Wirtschaftsprüfungs GmbH

Mag. Walter Mueller (Qualified auditor)	Mag. Harald Breit (Qualified auditor)

Report of the Supervisory Board

During the 2006 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 four 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, 2006 and the consolidated financial statements were examined by the auditors appointed at the 16th Annual General Meeting held on May 24, 2006, Deloitte Salzburg Wirtschaftsprüfungs GmbH.

As a result of this audit, the following unqualified audit report was granted for the individual and consolidated statements:

- The audit did not give rise to any objections. Based on the insights gained during the audit, it is the opinion of the auditor that the annual financial statements are in accordance with the statutory regulations and provide as accurate a picture as possible of the net worth and financial position of BWT Aktiengesellschaft as at December 31, 2006 as well of the company's earnings position for the financial year from January 1, 2006 to December 31, 2006 in accordance with Austrian principles of proper accounting. The Management Report is in line with the annual financial statements.

- The audit did not give rise to any objections. Based on the insights gained during the audit, it is the opinion of the auditor that the consolidated financial statements are in accordance with the statutory regulations and provide as accurate a picture as possible of the Group's net worth and financial position as at December 31, 2006 as well as of the Group's earnings position and cash flows for the financial year from January 1, 2006 to December 31, 2006 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.

The Supervisory Board has approved the annual financial statements of BWT Aktiengesellschaft and the consolidated financial statements as at December 31, 2006 prepared by the Management Board. They are thereby endorsed in accordance with Article 125, paragraph 2 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 26, 2007

Dr. Leopold BEDNAR
Chairman of the Supervisory Board

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Financial Calendar 2007:

2006 Annual Results	30 March 2007
Annual General Meeting	24 May 2007
Ex-dividend date	29 May 2007
Dividend payment date	01 June 2007
Letter to Shareholders I/2007	16 May 2007
Letter to Shareholders II/2007	10 August 2007
Letter to Shareholders IIII/2007	16 November 2007

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