2005
Annual Report

Water Technologies for a Better Life

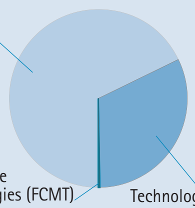
BWT
BEST WATER TECHNOLOGY

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

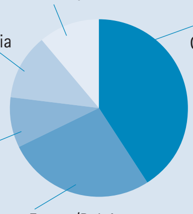
*) Previous years adjusted, 1:10 stock split in July 2000 **) proposal to the AGM

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

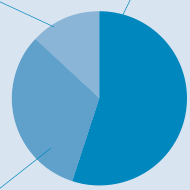
Sales 2005 by business segment (in € million)



Sales 2005 by business segment AET (in %)



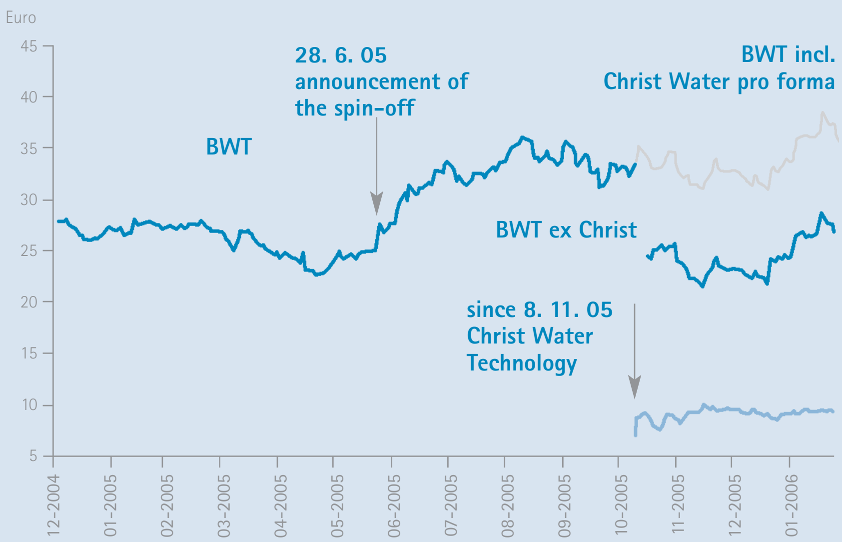
Sales 2005 by business segment AST (in %)



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

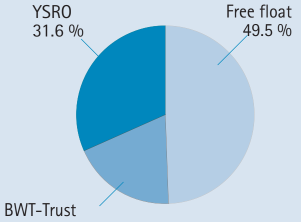
Share price*)		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
High	€	36,15	27,84	14,84	29,81	42,50	40,60	19,35	19,84	17,22	10,57	12,28
Low	€	21,65	15,25	8,60	8,39	21,90	13,04	12,93	13,15	9,05	7,63	6,90
Closing price	€	23,25	27,84	14,79	9,65	24,50	35,35	13,35	18,89	14,24	8,13	7,52
P/E (closing 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.

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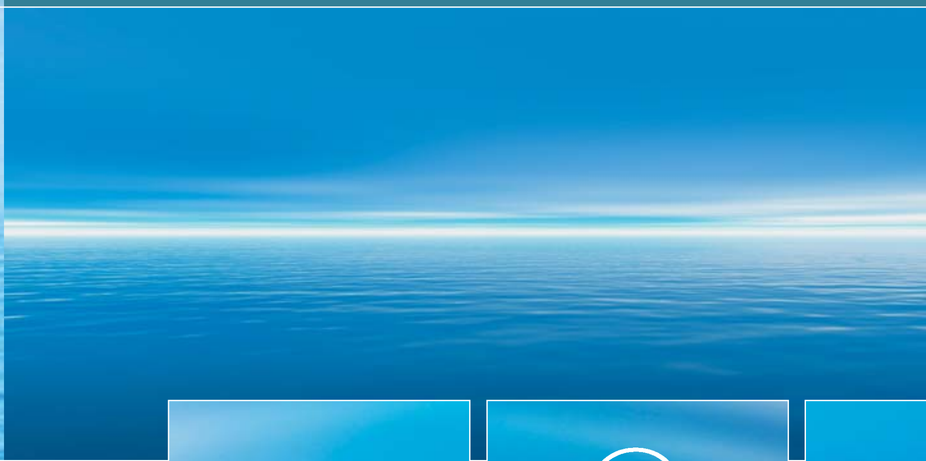
Group results 2005

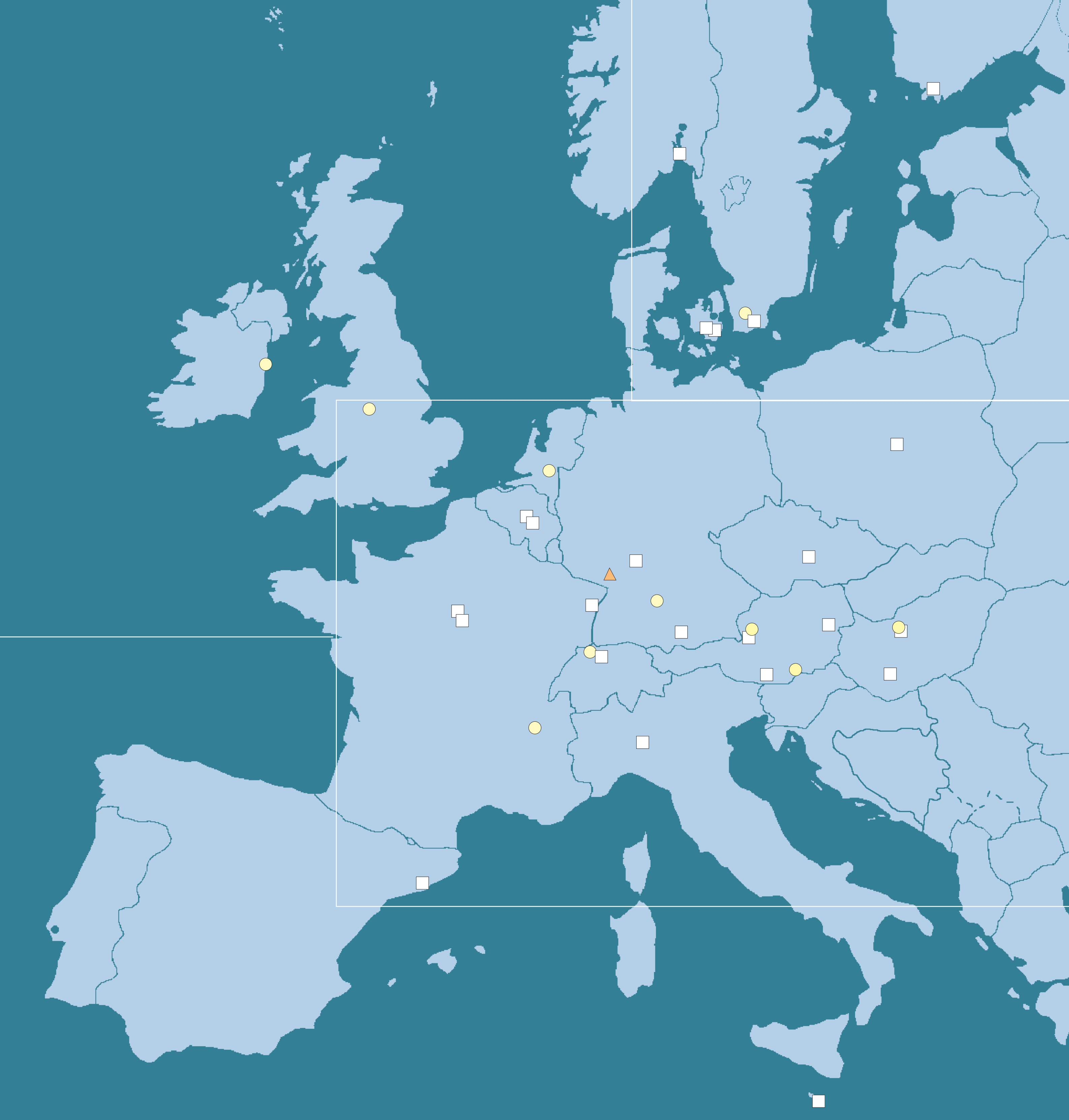
BWT – WATER TECHNOLOGIES FOR A BETTER LIFE



Aqua Ecolife Technologies (AET)

Aqua Systems Technologies (AST)

Fuel Cell Membrane Technologies (FCMT)



BWT – the leading European water technology group

BWT
BEST WATER TECHNOLOGY

Chairman's Statement

The year 2005 was dominated by the spin-off and the IPO of the Christ Water Technology Group, effective November 8. The deconsolidation took place at the end of October – for this reason our report includes the Aqua Systems Technologies (AST) division for the last time. This opens up completely new prospects for both listed companies. Investors can now choose between two water technology shares with very different profiles. This reflects the increasing degree of differentiation in the water treatment market and will give rise to new strengths in both companies.

Andreas Weissenbacher, Chairman

The economic conditions in the past financial year were characterized by growing dynamism in the demand for capital goods on a global scale while consumption in Europe was restrained. In the case of CHRIST, this benefited incoming orders (+26 %) compared with the very restrained sales performance at Aqua Ecolife Technologies (AET, sales +1 % to € 315 million.).

Group sales, which included AST for only ten months, totaled € 463 million after € 488 million. Net earnings after minorities increased from € 16.8 million to € 19.0 million. This is equivalent to earnings per share of € 1.06 after € 0.96. Cash flow from operating activities amounting to € 26.4 million as well as the spin-off allowed us to significantly reduce liabilities again to € 36.3 million. Gearing decreased from 53.9 % to 38.9 % at year-end with total investments of € 11.2 million.

The Aqua Ecolife Technologies (AET) segment failed to match the previous year's figures in terms of sales and earnings and, due to poor demand in important BWT markets such as Germany, Austria and France, generated extremely moderate sales growth of 1 % to € 315 million. As was the case during difficult market phases in the past, we also sustained our position better than the competition and increased our market share. EBIT of € 26.3 million, after € 31.1 million in the previous year was impacted not only by the market weakness already mentioned but also by non-recurring effects such as the expansion of the service network and special costs arising from the Christ spin-off amounting to € 1.0 million.

Aqua Systems Technologies (AST) sustained the turnaround achieved in the second quarter over the course of the year. An improvement in the project mix, shifts in costs and the success of the international expansion, together with the turnaround in the Ultrapure Water segment contributed to a significant improvement in earnings in 2005. Consolidated sales for the first ten months totaled €147 million while EBIT went from € -5.5 million to € 1.3 million.

As a result of special effects in 2004 – delivery of specialist membrane systems for the beverages industry – sales in the fuel cell segment declined from € 2.8 million to € 1.2 million. Earnings from operating activities remained unchanged at € -0.7 million.

Our R & D investments totaled € 9.3 million in 2005. The highlight among product innovations in 2005 was the market launch of the new AQA Total Energy equipment for protection against limescale including the revolutionary 3-phase technology with protection against limescale and corrosion and vitality in a single device as well as innovations with regard to filters (the Infinity premium filter series), heating protection and water softening systems for the catering industry. A further focal point was the expansion of the service network and the Group's service activities. At the same time, further steps were taken toward global expansion. We intend to improve considerably on the current sales share of 6 % in Eastern Europe and 2 % beyond Europe.

After three very good years, the Vienna Stock Exchange once again reported an excellent performance in 2005. This enabled the ATX to reach new record levels. The price development of the BWT share was also pleasing with a 19 % increase over the course of the 2005 financial year on a pro-forma basis including the CHRIST price from November 8. This shows that the spin-off was received very well and that shareholder value was created in 2005. Following its debut at € 7.11 (closing price on first quotation day), the CHRIST share increased by as much as 37 % by the year-end. Not only did the liquidity of the BWT share fail to suffer in any way, there was even an improvement.

With the implementation of the new regulations of the Austrian Corporate Governance Code and a group wide strategy on sustainability, we wish to improve the attractiveness of the share and the company for our shareholders. We view the implementation of a Corporate Social Responsibility Policy as an opportunity to further develop the capabilities and management tools available within our company, thus promoting value enhancement.

H_2O – the most important compound in the world, the stuff of life and the means of production, WATER is at the heart of our activities. BWT products and procedures for safety, hygiene and health, which are constantly being optimized to comply with economic and ecological criteria, now set the standard for worldwide technology.

The market for water treatment technologies also continued its process of consolidation in 2005. For example, US filter specialist Cuno was the subject of a takeover by the extremely diversified technology group 3M. As has become evident in the industrial sector, this may lead to an easening of the pressure of competition. We continue to focus on water technology and are working hard on the implementation of the BWT value strategy directed toward sustained value enhancement.

I would like to express my gratitude to all highly motivated and committed BWT employees for their dedication. I am proud of this Best Water Technology team. I wish every success to Christ Water Technology and its management under Karl Michael Millauer and Hartmut Gussmann and extend my thanks for their excellent cooperation in recent years.

We shall work on the realization of our vision as the "leading international water technology company" with a clear focus and by concentrating on our strengths. Together with our partners, our employees and our shareholders, we shall do our utmost to achieve this target on the global market. With the progress made in 2005 and the optimism for the success of our vision, we shall propose to the Annual General Meeting that the dividend be raised to € 0.30 per share.

Esteemed shareholders, I would like to thank you and all our business partners for the confidence you have shown in us to date. With the spin-off of Christ Water Technology, we have entered a phase of re-orientation which offers us ample opportunities with respect to the issues of safety, hygiene and health with first-rate water treatment. We intend to take full advantage of them. I look forward to continuing along this path with you in the future.

Andreas Weissenbacher

GROUP STRUCTURE

As at December 31, 2005

BWT AG

A-5310 Mondsee
€ 17,833,500,–

AQUA ECOLIFE TECHNOLOGIES (AET)

BWT Wassertechnik GmbH D-69198 Schriesheim	BWT France S.A.S. F-93206 St. Denis	HOH Water Technology A/S DK-2670 Greve
Aqua Service GmbH A-5310 Mondsee	C.P.E.D. S.A.S. F-95805 Cergy Pontoise Cedex	HOH Vattenteknik AB SE-21375 Malmö
Arcana Pool Systems GmbH A-2201 Gerasdorf	C.P.S. S.A.S. F-95805 Cergy Pontoise Cedex	HOH Birger Christensen AS N-1309 Rud
Christ Aqua Ecolife AG CH-4147 Aesch	BWT Belgium nv/sa B-1930 Zaventem	HOH Separtec OY FIN-21201 Raisio
BWT & Christ Hungária Kft H-2040 Budaörs	Benchem n.v. B-3190 Boortmeerbeek	HOH Dansk Elektrolyse A/S DK-2620 Albertslund
BWT Polska Sp.z.o.o. PL-01-304 Warszawa	Cillichemie Italiana S.R.L. I-20129 Milano	
BWT Česká Republika s.r.o. CZ-25101 Říčany (Praha)	Cilit S.A. E-08940 Cornellá de Llobregat	

FUEL CELL MEMBRANE TECHNOLOGIES (FCMT)

FuMA-Tech GmbH D-66386 St. Ingbert
Fumatech Inc. USA, San Antonio

ANDREAS WEISSENBACHER

GERHARD SPEIGNER

SUPERVISORY BOARD

Dr. Leopold Bednar, CHAIRMAN, Vienna

Managing partner of consultancy Trust & Value Unternehmensberatung GmbH, Chairman of the Supervisory Board of BWT AG since 1991. Member of the Supervisory Board of Leder & Schuh and Keba AG.

Dr. Wolfgang Hochsteger, DEPUTY CHAIRMAN, Hallein

Lawyer and partner of law firm Hochsteger Perz Wallner Warga;
Deputy Chairman of the Supervisory Board of BWT AG since 1991.

Gerda Egger, Golling

Management board of the BWT private trust;
member of the Supervisory Board of BWT AG since 1996.

Klaus R. Kastner, Gmunden

Branch manager of Raiffeisen Landesbank Oberösterreich, Bavarian office;
member of the Supervisory Board of BWT AG since 2001.

Ekkehard Reicher, Oberalm

Consultant; member of the Supervisory Board of BWT AG since 1996.

Serge Schmitt, Hagenthal-le-Bas, France

Member of the Management Board of Christ AG;
member of the Supervisory Board of BWT AG since 2002.

MANAGEMENT BOARD

ANDREAS WEISSENBACHER

Chairman of the Executive Board
since 1990. Responsible for strategy,
R & D, IR, PR, and for the business segments
Aqua Ecolife Technologies and
Fuel Cell Membrane Technologies

GERHARD SPEIGNER

Chief Financial Officer
since 1996

You realize the true taste of water in the desert. *(saying)*

Innovative TECHNOLOGIES for the ELIXIR OF LIFE – WATER

Water – a challenge for mankind, a matter of business for BWT

Water is not everything – but without water there's nothing

Many people only appreciate the important things in life when they are no longer there. Water is one of these things. Many say that it is the oil of the 21st century, others insist it is more valuable than gold.

Water is the foundation of our life and displays many characteristics without which life on earth with people, animals and plants would not be possible. Water in itself is no more than a molecule, whose chemical formula the most well known of all: two parts hydrogen, one part oxygen – H_2O. Nevertheless, even today water with all its special features is not fully understood. In addition to the widely known property that water, when it freezes, expands rather than contracts like other substances, one of the most important characteristics for water's survival is that it is at its heaviest, not as a solid, but at plus 4°. If water was heavier when frozen, the ice at the bottom of the seas and oceans would slowly rise and in so doing wipe out all organic life. But instead there is a constant exchange of water within the stretches of water at temperature variations, both between upper and lower levels of water and horizontally.

Water is a key factor for prosperity, health, stability and development. Nevertheless, how we interact with water must change in the near future, from a society which is relatively extravagant in its use of water to one which uses it efficiently.

The blue planet

The total volume of water is estimated at 1.4 billion cubic meters. Thereof, roughly 96.5% are made of the world oceans and seas, 1.7 % of polar ice and glaciers, furthermore, 1.7 % are ground water, lakes and rivers, the remainder being solved as vapor in the atmosphere.

Water is a key factor for welfare, health, stability and development. However, the mentality of use of water has to change in the near future transforming the water wasting society to water efficient society. Reality looks like this:

– 2 billion people do not have access to proper drinking water
– 5 million die each year due to dirty water
– 1 out of 2 people in developing countries suffers from water related illnesses

The world's water is under stress

At the threshold to the 21st century, over six billion people live on our planet. The world population has almost quadrupled since 1900, but the available resources are finite. The surface of our blue planet largely consists of water, but only 2.5 % of this is fresh water. Globally speaking, human consumption of water has increased dramatically in the recent past. In 1900, water consumption is estimated as being 522 cubic kilometers, by 1980 this had risen to 2,120 cubic kilometers and by 2000 to 2,700 cubic kilometers. Just as worrying is the prediction that human consumption of water in the next 30 years could triple again. Currently, over half a billion people – a twelfth of today's world population – live in countries in which water is scarce. Around 200 million of these suffer from a chronic lack of water. For a further 310 million people, water is in short supply at least part of the time. According to current predictions, in 2050 at least a third of the world's population will live in countries with a chronic or recurring shortage of fresh water.

Challenge along three value added chains

Around 20 % of water worldwide is used for industrial purposes, 70 % for agriculture and the remaining 10 % for residential areas. However, there are wide regional variations: in Europe, the majority of water in used in industry, while in Asia agricultural use dominates.

Agriculture

Global agricultural production has increased dramatically in the past years. In all regions of the world, the massive use of artificial fertilizers and pesticides has caused serious problems. Soil and water flowing through the fields into river systems or into the ground water are stressed.

Rising stock farming is also causing higher demand for water. Problems arise in particular as out of 5 tons of crop produced on the planet, two tons are being used as animal feed. In case the food crop is being grown in countries where a high use of water is required to produce the grain, water consumption for a single beef steak might reach up to 20,000 liters.

One example of the significance of water for agriculture: around 1,000 liters of water is required to produce 1kg of bread. If a country does not have sufficient water reserves, then food must be imported. In some countries, up to 35 % of money spent on imports goes on food, because the locally available water reserves are not sufficient to cover the food needs of the indigenous population.

Industrial production – from paper to car tires and electricity production – is only possible thanks to an enormous consumption of water. Around 15-30 m^3 of water is required per tonne of paper, around 200 m^3 per car tire and around 60 m^3 per MWh of electricity.

Industry

Industrial production – from paper to car tires and power generation – is only made possible by a tremendous use of water. Around 15-30 cubic meters are required to produce 1 ton of paper, roughly 200 cubic meters for a car tire and around 60 million cubic meter for a MWh power. For the manufacturing of a car, around 10,000 to 20,000 liters of water are required.

In many Western countries, industrial enterprises have shifted to the multiple use of water. Eg, in the paper industry in the US, in the mid 50ies, water was used 2.4 times before entering the river and waste water systems. Up to the year 2000, this ratio was increased to 11.8. In the chemical industry water use has increased to a ratio of 11.8 during that time. Nevertheless, the hidden use of water within the industrial production process remains high.

Residential water use

About one tenth of water consumption of mankind is used for homes. In some regions this consumption varies significantly. While in rural areas in Africa consumption volumes amount to about 20 liters per day, in the US it is 295 liters per day. At least 25 liters are necessary per day for drinking, cooking and washing. In countries like Austria or Germany daily consumption amounts to roughly 130 liters. That is 15 liters less than a decade ago, but still 44 liters more than 1950.

Clean drinking water is not a given

Today, 2.0 billion people do not have access to clean drinking water, and double this number have no sewage system. More than 2 billion people have no access to sanitary facilities. 95 % of all sewage produced by industry and agriculture flows untreated into the seas and rivers. The pollution of water is one of the main causes of many diseases – above all in developing countries. Over three million children die each year from infections and diarrhea caused by polluted water.

Global trends bring with them new requirements

Global trends such as
- demographic changes
- changing climatic conditions
- aging of the infrastructure
- increasing health awareness of the population

change the requirements in terms of water management and lead to an increased awareness of the indispensable value of water.

As with other vital resources, the need for water is defined by the product of population x per capita use. The problem is that the very regions of high population growth are the regions suffering most from a huge backlog of need for water infrastructure investment.

"Among all crises regarding the social and natural resources with which mankind is confronted, the water crisis is the one most threatening our survival and that of our planet." *(UN World Water Report, March 2003).*

Local water crises may be give rise to various other problems:
- Water crises might force local populations to move away and produce massive territorial migration in and between states.
- In general it can be assumed that water crises lead to extensive use of international water bodies and an increase in regional conflicts which might accelerate up to "water wars".
- Local water crises may lead to desertification.

All that shows that local water crises have a serious global impact that makes the water problem effect the entire community of nations. The solution to the water crisis is one of the largest challenges of mankind in the third millennium. Water might soon be about to replace oil in terms of global significance.

The BWT – Best Water Technology Group is aware of its responsibilities and with its ecologically and economically optimized products and technologies is making an important contribution to the lasting protection of the natural resource of water.

No water, no future. *(Kofi Annan)*

HIGHLIGHTS 2005

Spin-off of CHRIST (AST division)

Record earnings

Balance sheet improved

Expansion strategy in place

Excellent growth opportunities

VALUE STRATEGY

VISION

BWT – The Leading International Water Technology Group

STRATEGY

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

FINANCING OF GROWTH

Long-term from own cash flow

Management Report 2005

Preamble

The annual financial statements (individual statements) of BWT Aktiengesellschaft have been prepared in accordance with the accounting and valuation regulations of the Austrian Commercial Code, under which the associated companies have been reported within the framework of the financial assets. As a result of this, the individual statements only provide an extract of the economic position for the BWT Aktiengesellschaft and its associated companies. For a better insight into the asset, finance and earnings position, the following management report is based on the consolidated financial statements prepared in accordance with IFRS.

Robust global economic conditions in 2005

Economic environment

High crude oil prices, the fall hurricanes in the Gulf of Mexico, political uncertainties, and the increase in base rates by the U.S. Federal Reserve over the year all had a surprisingly insignificant effect on the global economic situation in 2005. Private consumption in the USA and the highly dynamic growth in the Asian countries (China) ensured that Europe too benefited from increased activity, although the momentum was restricted to export-driven industries, as consumption – especially in Germany – was modest and did not exactly benefit from slightly higher inflation combined with a relatively weak disposable income growth.

At a provisional growth estimate of 3.5 %, the USA failed to achieve its high 2004 value of 4.2 %, although the figure was still impressive. There were clear signs of a slowdown in the fourth quarter, of which consumption was again the main cause. However, investment also weakened toward the year-end. The unusually warm weather in January, growth on the job market, and strong retail sales all point to an excellent start to 2006 for the US economy.

Actual GDP growth (%)	2004	2005	2006
Euroland	1.8	1.4	1.5
Germany	1.1	1.1	1.3
France	2.1	1.5	1.1
Austria	2.4	1.8	2.0
Switzerland	2.1	0.9	1.6
USA	4.2	3.5	2.6

Consumer prices +/– % z. VJ	2004	2005e	2006e
Euro Zone	2.1	2.3	2.0
Germany	1.8	2.1	2.2
France	2.3	1.6	1.6
Austria	2.0	2.1	1.4
Switzerland	0.8	1.1	0.9
USA	2.7	3.5	3.0

Source: BA-CA, Erste Bank

Modest activity in Euro Zone

In the Euro Zone, a very important market for BWT, increased exports and industry were the growth drivers of GDP, which developed according to initial estimates at 1.4 %, a somewhat weaker increase than the 1.8 % of 2004. As in recent years, the important German market recorded below-average growth for the Euro zone with 1.1 %, while growth was higher in France (1.5 %) and Austria (1.8 %). With a predicted increase of 0.9 %, Switzerland failed to maintain the solid growth of 2004 (2.1 %).

Trends likely to be continued in 2006

For the current year of 2006, the leading economic development indicators (Ifo Business Climate Index) present a mixed picture, although the relatively robust industrial economy in Europe is generally expected to continue. However, no real impetus can be anticipated from private consumption. In Germany, the advance effects of sales tax increases in 2007 could lead to stronger growth in 2006; in France, the forecast for actual GDP growth is 1.1 %. For Austria, growth of around 2.0 % is anticipated, which should be supported by a higher domestic demand than in 2005.

Mixed industry trends in 2005

Industry environment

Notwithstanding the excellent medium and long-term growth perspectives for the water treatment markets, the development of individual market segments in 2005 was extremely mixed. The strong economic development of the emerging markets in Asia (China) and the positive impetus in many industry sectors (e.g. semiconductors, pharmaceuticals) created a favorable environment for industrial water treatment, while the somewhat consumer-oriented European market segments generally displayed a sideways trend.

Growth drivers

Natural fresh water supplies are limited; moreover, contamination is on the rise. Consumption of both drinking water and process water is clearly growing, the result of a striking supply shortage combined with a steady rise in the population and dynamic industrial growth. In addition, large parts of the existing water infrastructure are obsolete or no longer meet the statutory requirements. Water technology is a key factor here.

Market segment	Marketvolumen (€ bn)	Anticipated growth per year
Municipalities	188	>5 %
Industry	12	8-10 %
Households	5	>6 %
Chemicals	15	0-2 %

Source: BWT

Market growth forecasts

A medium-term growth of 8 % p.a. is anticipated for industrial water treatment, whereas the annual growth rate for the comparatively larger market of municipal water treatment systems is over 5 %. A worldwide increase of 6 % p.a. is estimated for water treatment technology for households and SMEs, which should not be so sharply exposed to cyclical fluctuations as industry.

Regional trends

Depending on the available water resources, there are also regional growth differences. In many emerging markets, there is an increasing trend for on-site water treatment, as some water utilities provide inadequate water quality or quantities. And in many regions, there are problems associated with dangerous substances like heavy metals, bacteria, arsenic, lead, legionella etc., which in turn require special water technology processes.

Europe

But in Europe too, demand for clean water is rising, along with the need for safety. Catastrophes like floods, infections and epidemics such as SARS, bird flu and the invisible danger of legionella are highlighting the topicality of safety, hygiene and health. Legal provisions such as the EU Drinking Water Directive (DWD) and Urban Waste Water Directive (UWWD), together with the guidelines of the World Health Organization (WHO) and its parameters for drinking water quality are key growth drivers of the water treatment sector.

Industry consolidation

At the same time, this situation is creating new sales markets, which served to continue the consolidation process in the industry in 2005. The takeover of filter specialist Cuno by the diversified US technology group 3M can be seen as one of a series of similar transactions in previous years. Among the most important geographical growth markets for the BWT Group are the European heartlands, the new EU Member States in Central Europe and the rapidly expanding countries of South-East Asia.

Market opportunities for BWT

Ever since its foundation in 1990, the Best Water Technology Group has set out to develop, produce and market technical solutions for securing the supply of water as a commodity and means of production on a sustained basis. In so doing, it focuses on economically and ecologically optimized products and processes that reduce or even avoid the use of chemicals. The prime goal of BWT is to ensure efficient treatment technologies that conserve water, energy, and resources. The BWT Group intends to make the most of the resulting market opportunities, and at the same time make a significant contribution toward the sustained development of our planet.

BUSINESS DEVELOPMENT 2005

Spin-off of CHRIST

Pro rata spin-off of CHRIST WATER TECHNOLOGY AG

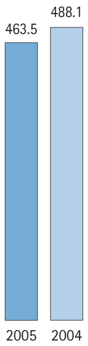
In a pro rata move, BWT AG spun off its wholly owned subsidiary Christ Water Technology AG – and thus the entire "AST – Aqua Systems Technologies" business division to Christ Water Technology AG – with effect from November 8, 2005. For every BWT share held, the shareholders of BWT AG received an additional share in Christ Water Technology AG on the above date.
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.

Implications on consolidation

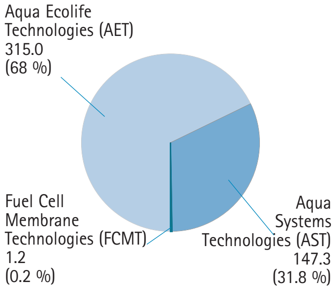
Christ Water Technology AG and its subsidiaries were deconsolidated on October 31, 2005 in accordance with international accounting regulations. This means that these annual financial statements of BWT AG include the results of the "AST – Aqua Systems Technology" segment up to October 31, 2005 in the 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. Mutual receivables and liabilities are treated as receivables and liabilities toward third parties such in the annual financial statements of BWT as well as the Christ Group at December 31, 2005.

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 defined benefit 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 adjusted the comparable figures of the previous year, which in terms of personnel costs resulted in a reduction of € 263,300.

Total consolidated sales (in € million)



Sales 2005 by business segment (in € million)



Sales development

Consolidated sales of the BWT Group in the 2005 financial year totaled € 463.5 million, being 5 % below the previous year's figure of € 488.1 million.

Segment (excluding intra-group sales)	2005	2004	+/- %
Aqua Ecolife Technologies (AET)	315.0	312.1	+0.9 %
Aqua Systems Technologies (AST)*	147.3	173.2	-15.0 %
Fuel Cell Membrane Technologies (FCMT)	1.2	2.8	-57.1 %
Total	**463.5**	**488.1**	**-5.0 %**

*Note: January to October 2005 only

The decline is mainly due to the lack of sales from the "AST – Aqua Systems Technologies" business segment for the last two months of the 2005 financial year following the spin-off of the segment. As a result, sales in the AST segment fell by 15 % compared with the previous year from € 173.2 million to € 147.3 million.

In the Aqua Ecolife Technologies (AET) business segment, the BWT Group increased its sales by 0.9 % from € 312.1 million to € 315 million, in a financial year strategically dominated by the spin-off of the AST segment.

Sales in the Fuel Cell Membrane Technologies (FCMT) business segment, which in the previous year had delivered specialty membrane plants for the drinks industry along with membranes for fuel cell use, reduced by 57.1 % from € 2.8 million to € 1.2 million.

The weak growth in the AET segment is chiefly attributable to the decline in sales in France, where a fall of 3.3 % was recorded after several years of above-average growth. However, the order situation in France as at December 31, 2005 is already showing an increase of 20 % compared to the previous year, on the basis of which it can be assumed that this important region for the BWT Group will already return to growth in 2006. The Austrian companies increased sales by 1.8 %, while sales growth in Germany was 2.5 % and in Italy/Spain 2.8 %. Sales in the Scandinavian HOH companies remained virtually unchanged compared to 2004, although the earnings position of this 2003-acquired group continued to improve. With a growth of 8.4 %, the Swiss BWT subsidiary made an above-average contribution to the sales development. The growth of the Eastern European companies was also higher than the Group average at 5.1 %; in total, BWT achieved some 6 % of its 2005 AET sales in Eastern Europe. The proportion of sales outside Europe in 2005 amounted to 2.2 % (previous year: 2.0 %), underlining BWT's growth prospects in this region.

Service and spare parts

Above-average sales growth was also recorded by the service and spare parts business: at almost € 65 million (+8.9 % compared to 2004), 20.5 % of AET sales was generated in this area, compared to 18.7 % in the previous year.

Order backlag

At December 31, 2005, the order book level in the AET segment had increased by 12.1 % from € 35.9 million to € 40.2 million. Orders were significantly higher than the previous year's values in France, Switzerland, Scandinavia and Austria.

Industrial and municipal business

The proportion of sales of the industrial and municipalities business in the BWT Group fell from € 173.2 million to € 147.3 million, a 15 % decline that was the result, as already mentioned, of the deconsolidation of this business segment on October 31, 2005.

Business units AST

The increase in the sales contribution of the Pharma & Life Science division from € 29.7 million to € 36.9 million was mainly attributable to the expansion of the product range and increased international presence.
In the Ultrapure Water division (microelectronics, power stations, industrial waste water), sales fell from € 95.7 million to € 60.0 million. Up to October, there was no major project similar to that of 2004, when most of the AMD plant in Dresden was processed.
Food & Beverage sales fell from € 25.2 million to € 18.3 million, also due to a lack of major projects like those of the past three years in Russia.
By contrast, the municipalities business enjoyed impressive growth with an increase to € 32.1 million compared to € 22.6 million in the previous year. The expansion of business activities to the Arabian and East European countries has paid off, as has the formation of a subsidiary in South Africa.

Sales of the Group parent company BWT AG fell (under Austrian accounting rules) in 2005 by € 1.1 million from € 55.1 million to € 54.1 million, which was largely the result of the weaker swimming pool business.

Marked EBIT growth

Earnings development

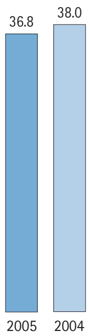
Despite the abovementioned 5 % fall in total sales, both EBIT and consolidated earnings less minority interests enjoyed positive growth in the 2005 financial year compared to the previous year. EBIT increased by 8.4 % from € 24.9 million to € 27.0 million, while consolidated earnings grew (despite the profitable months of November and December being missing from the AST segment) by 11.1 % from € 17.1 million to € 19.0 million.

EBIT broke down by segment as follows:

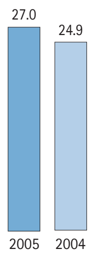
EBIT in € million	2005	2004	+/- %
Aqua Ecolife Technologies (AET)	26.3	31.1	-15.4 %
Aqua Systems Technologies (AST)*	1.3	-5.5	X
Fuel Cell Membrane Technologies (FCMT)	-0.7	-0.7	+0.0 %
Aqua Finance (AFI)	0.1	0.0	X
Total	**27.0**	**24.9**	**+8.4 %**

*Source: January to October 2005 only

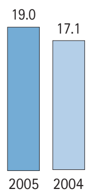
EBITDA (in € million)



EBIT (in € million)



Consolidated net earnings (in € million)



Segment AET

EBIT in the AET business segment fell by 15.4 % from € 31.1 million to € 26.3 million. This was due to falling sales in France accompanied by capacity expansion in services, and special costs arising from the spin-off of the AST segment (€ 0.7 million) plus the book loss from the disposal of a Swiss property not essential to operations (€ 0.3 million). The much improved earnings situation in the HOH companies (especially in Denmark) along with profit increases in Italy, Switzerland and Eastern Europe was offset by the decline in earnings in Germany and Austria (caused by higher advertising costs and increased costs for preparing the point-of-use product range).

Segment AST

As expected, the industrial and municipalities business performed the turnaround under the umbrella of the "AST – Aqua Systems Technologies" business segment. Until the segment was spun off, i.e. in the period from January to October 2005, customized systems in the AST segment were responsible for positive EBIT of € 1.3 million, while in the 2004 financial year (January to December) there was a loss of € 5.5 million. It is particularly pleasing that the Ultrapure Water division (microelectronics, power stations, industrial waste water) achieved positive EBIT in 2005 after making heavy losses in previous years, although EBIT in the Food & Beverage segment was negative at approx. € -0.7 million. The Pharma and Life Science division remained just below the break-even mark, with the municipalities business again proving to be a reliable source of earnings.

Segment FCMT

Owing to the fall in sales, EBIT in the FCMT segment failed to improve; the fundamental research and development activities for specialist membranes for fuel cell use were continued as planned, resulting in negative EBIT of € -0.7 million.
The "AFI – Aqua Finance" segment, which is mainly responsible for real estate administration within the Group and has various financial investments, contributed € 0.1 million to EBIT in 2005.

Material expenses

The total cost of materials (including inventory changes) fell from 49.3 % to 46.7 % of sales. This is due mainly to the higher gross margin in the AST segment.

Personnel expenses

At € 142.1 million, personnel costs remained at the previous year's level, although it should be borne in mind that there were no costs for November or December in the AST segment.

Depreciation

The decline in write-downs from € 13.2 million on 2004 to € 9.8 million in the 2005 financial year is principally due to the application of the new IFRS provisions in connection with ordinary depreciation for goodwill.

Other operating expenses and earnings

The balance of other operating income and expenses increased by 0.8 % from € 67.5 million to € 68.1 million. The increase in other operating expenses in this item, caused by the previously mentioned additional costs for the CHRIST spin-off, advertising and product development, was partially offset by a higher value for capitalized labor, overheads and material (including R&D capitalization in accordance with IFRS provisions).

EBIT margin

In total, the EBIT margin increased from 5.1 % to 5.8 % of sales, principally due to the successful turnaround in the AST segment.

Financial result

The continued reduction of net financial liabilities and increased financial investment income again improved the financial results in 2005, resulting in an increase of 36.9 % from € -2.0 million in 2004 to € -1.3 million. Net interest income reduced by 18.8 % from € -2.7 million to € -2.2 million and income from financial investments rose by € 0.2 million to € 0.9 million. The latter is mainly attributable to the profit distribution of the Male Water & Sewerage Company, a non-consolidated affiliated company of HOH Water Technology, Denmark.

Tax rate

Earnings before tax increased by 12.2 % from € 22.9 million to € 25.7 million. The consolidated tax rate rose from 24.4 % in 2004 to 25.9 % in the 2005 financial year. Although the group taxation possibilities available in Austria from January 1, 2005 were utilized by bundling key Austrian group companies, tax expenditure rose from € 5.6 million to € 6.7 million, principally due to the improved results of the HOH Group.

Net result

Earnings after tax in the BWT Group increased compared to the previous year by 10.4 % from € 17.3 million to € 19.1 million, although the profit shares of minority shareholders fell from € 0.2 million to € 0.1 million. The consolidated earnings less minority interests of the BWT Group therefore increased by 11.2 % from € 17.1 million to € 19.0 million. This is the highest figure since BWT was founded.

The number of shares remained unchanged at 17,833,500 in the 2005 financial year, earnings per share being € 1.06 compared to € 0.96 in 2004.

Dividend proposal

Thanks to the improved consolidated earnings and the clear reduction of the debt ratio, the Management Board will propose an increase in the bonus per share of € 0.03 at the forthcoming Annual General Meeting, notwithstanding the hitherto existing dividend policy. The total dividend should therefore amount to € 0.30 per share, an increase of 11.1 % compared to the previous year (€ 0.27 per share). The anticipated distribution to shareholders in 2006 is € 5,350,050 (previous year € 4,815,045).

BWT AG parent company

BWT AG of Mondsee, the parent company of the BWT Group, increased its operating result from € 10.5 million in the previous year to € 13.5 million in the 2005 financial year. This increase is mainly due to improved income from investments after € 6.5 million of expenses and depreciation for associated companies in the year before.

Development of the financial position

Market improvements

The development of earnings and continued improvement in working capital mean that the financial position has not worsened, either within the Group or in the Group parent company. This is despite the spin-off of Christ Water Technology AG together with its Group companies, and the associated deduction of € 56.5 million from the retained earnings of the BWT Group balance sheet and € 41.7 million from the BWT AG balance sheet according to the Austrian Commercial Code. Indeed, some key figures present notable improvements.

Cash Flow and cash

Compared to the previous year's figure of € 30.2 million, cash flow from result increased by 3.3 % to € 31.2 million, while cash flow from operating activities fell from € 33.9 million to € 26.4 million. Cash flow from investment activities amounted to € -6.9 million compared to the 2004 figure of € -9.8 million. Cash flow from financing activities of € -21.3 million (previous year: € -18.6 million) consists mainly of the deconsolidation of CHRIST (€ -18.7 million) and paid dividends (€ -4.8 million). The inventory of liquid funds reduced from € 21.0 million in 2004 to € 18.6 million in 2005.

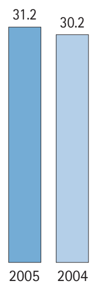
Improved gearing

As a result of the positive cash flow and the spin-off of CHRIST, net debt within the BWT Group reduced from € 74.7 million at the end of 2004 to € 36.3 million as at December 31, 2005. Gearing (net debt/equity ratio) therefore decreased from 53.9 % to 38.9 %.

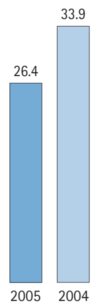
Higher equity ratio

The Group balance sheet total reduced from € 375.7 million to € 247.9 million as a result of the CHRIST spin-off. As at December 31, 2005, group equity totaled € 93.3 million, which represents an equity ratio of 37.7 %. The comparable figure in the previous year (including minority interests) was 36.6 %.

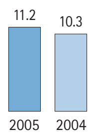
Cash Flow from result (in € million)



Cash Flow from operating activities (in € million)



Investment (in € million)



Increasing profitability

The return on equity (ROE – earnings after tax before deduction of minorities' interests compared to the average equity capital) improved from 13.1 % to 14.6 %. The return on capital employed (ROCE – EBIT after taxes compared to the average total capital employed) increased from 9.0 % to 10.1 %.

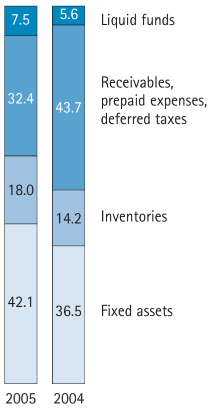
CAPEX and R & D

In total, the BWT Group invested € 11.2 million in intangible and tangible fixed assets in the 2005 financial year out of which € 9.0 million were cash effective. For € 2.2 million, a long-term license right for Septron EDI technology was purchased by the CHRIST Group after the spin-off. Research and development work was capitalized in accordance with IFRS provisions for € 2.5 million. The remaining investments concern the usual replacement and expansion investments.

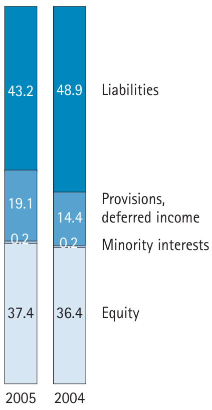
In the BWT AG parent company, the CHRIST spin-off meant that equity reduced from € 81.9 million to € 53.7 million. This has produced an equity ratio of 53.1 % (previous year: 55.3 %). Bank liabilities reduced by 30 % from € 24.6 million to € 17.3 million.

Balance sheet structure

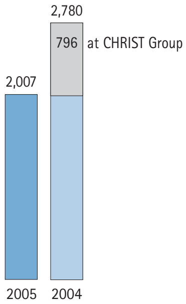
Assets (in %)



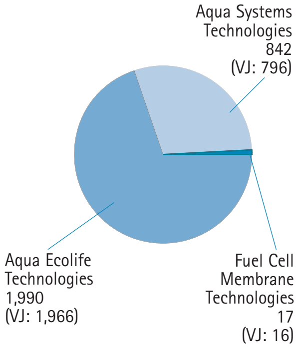
Liabilities (in %)



Personnel as at December 31: 2,007 people



Personnel 2005 by business segments



Personnel

The number of employees of the BWT Group on balance sheet date was 2,007. At the end of the previous year, the headcount was 2,780 including 796 in the now independent CHRIST Group. The increase of 23 employees compared to the figure for the equivalent Group structure is mainly accounted for by BWT France, where the service structures were further expanded. There are 1,990 employees in the AET segment (previous year: 1,966) and 17 (previous year: 16) in the FCMT segment.

The average BWT AG headcount remained unchanged at 306 employees.

Research and development

The BWT Group has research facilities in Austria, Germany and France, along with the CHRIST Group in Switzerland before the spin-off. The goal of the some 70 employees in the BWT development laboratories is to develop new products and procedures as well as enhance existing ones, the focus being on resource-preserving processes in line with the optimization of economic efficiency and ecology.

Total research and development expenditure in 2005 was € 9.3 million. Key projects concerned the development of a new generation of UV systems, the modernization of the filter program, the development of new controls for softener technology and the first stage of a new and extensive product range for point-of-use market (point-of-use means that the water treatment systems are used directly at the point where the water is used or consumed, as opposed to point-of-entry systems, which are installed where the water enters the house). The high level of fundamental research on fuel cell membranes continued in 2005.

With its research and development work and the resulting products and procedures, the BWT Group is dedicated to maintaining a flawless water quality, thus contributing to the health of people, animals and plants. For BWT, research and development is also a key plank of its growth strategy.

Risk management

General statement and vision

Definition of risk

The BWT Group offers technically sophisticated products and services in a changing global market environment and is therefore subject to a variety of practical restraints and confronted by a growing number of internal and external risks. From the company's viewpoint, "risk" implies both the danger of a negative deviation to the defined company goals and strategies and a positive opportunity to benefit from such a deviation.

The BWT management believes that handling risks in a sensible and controlled manner delivers competitive advantages and makes a major contribution to the company's long-term existence, hence our active management of risks at strategic and operational levels.

Handling opportunities and risks

The following statement encapsulates the company's policy of handling opportunities and risks:
"Opportunities and risks are our constant companions in planning and developing our business. Our aim is to systematically deal with the opportunities and risks facing our company with a view to quickly identifying existing risks and taking the necessary measures to reduce potential ones as far as possible. By exploiting the existing potential of our portfolio and continuing to develop the BWT Group to the benefit of our customers, shareholders, employees, and business environment, our long-term future will be secured."

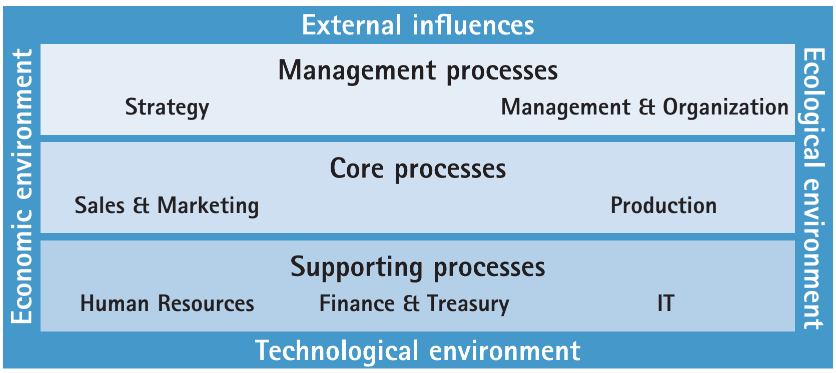
Relevant risk areas and event categories

Risk approach

To manage risks in a targeted way, a systematic and process-oriented approach is needed. Since risks can be considered from various angles and each risk category is affected by positive and negative influences, it is necessary to create an authoritative representation of the existing risk fields and event categories as the basis of a company-wide risk management process.

Origin and allocation of risks

Clearly, risks can originate in the company itself as well as in the company's environment. In terms of corporate governance, the internal risks can be divided into three main company processes, i.e. management processes (strategy, management & organization), the core processes (production, sales & marketing) and the supporting processes (human resources, finance & treasury, IT). The external risks concern the company's economic, technological and ecological environment. The following diagram provides an illustration of the risk fields and event categories.



Measures

Risk policy

The lasting change to the economic, social and political conditions in recent years means that BWT AG faces a different risk situation today. Experience in so many areas of the economy has shown that dealing with risks and opportunities is crucial to the long-term survival of a business, with the result that company management has taken an in-depth look at the subject with a view to formulating an appropriate risk policy.

The corporate culture, i. e. the combined and underlying values and approach, primarily determine the employees' behavior and thus also the efficiency of a risk management system. BWT's risk policy is therefore based on an open and honest communication, fair dealings with each other as well as with business partners and shareholders, adhering to statutory guidelines, professional expertise, personal responsibility and developing a joint moral and ethical standard. The most important objective is the optimization of the company's overall risk position while exploiting the opportunities that arise. A component of the business policy, BWT's risk policy is based on the company goals and is geared toward the following:

- Ensuring adequate insurance protection in the fields of liability, business interruption, property and transport
- Increasing the risk coverage potential by constantly improving the equity ratio
- Securing the free cash flow on a long-term basis for continued financing
- Reducing risk-dependent capital costs
- Increasing the corporate value on a sustained basis
- Avoiding dependency on banks, suppliers and customers
- Reducing capital commitment in current assets by optimizing planning and organization
- Protecting against market price fluctuations through derivatives and/or long-term supply agreements
- Avoiding sureties, exchange risks and other liabilities
- Building up competitive advantages by strengthening core competencies and differentiating against competitors
- Promoting and establishing a company-wide awareness of risks and opportunities
- Setting up and developing a risk management system and establishing an ongoing risk management process to identify, evaluate, control and monitor risks across the company
- Separating the implementation and monitoring of risk-sensitive activities on an organizational and functional basis
- Training employees in the further development of their professional skills and personal strengths
- Ensuring that every employee can be justified and replaced
- Establishing clear competence and signature regulations
- Improving internal communication

Risk reporting must be integrated in existing reporting, so that the level of detail is oriented toward the hierarchical level of the recipient.
The Management Board must be regularly presented with the important information in the required form. Any unforeseeable risks that could have a significant effect on the company's assets, financial and earnings situation must be reported immediately to management.

To limit the risk of interest rate and exchange rate changes, interest and foreign currency management is constantly monitored by the central Treasury department in the Group management. Every financial instrument used affects the current activities of the BWT Group.

Central Group controlling is responsible for the ongoing monitoring of the financial risk, under which the success of each Group company and of the Group is regularly measured according to standard criteria and the differences to the bottom-up plan values are identified.

The Management Board is not currently aware of any risks that could endanger the company's continued existence.

Our targets in 2006

Outlook

Following the spin-off of the business division "AST – Aqua Systems Technologies" to Christ Water Technology AG, which became an independent company on November 8, 2005, the BWT – Best Water Technology – Group is now focusing on the development, production, marketing, and servicing of standard products for water treatment under the slogan "Safety, Hygiene and Health – BWT Water Technologies for a Better Life". BWT management's declared goal is geographical expansion with stronger growth outside the European Union (primarily in the growth markets of Eastern Europe and Asia) and the expansion of the product program, especially in the point-of-use area (extending point-of-entry, the traditional area of focus).

Thanks to the healthy balance sheet situation and a stronger cash flow, the financial base exists to realize these goals. Above-average increases in sales and earnings in the AET (Aqua Ecolife Technologies) segment are expected in the second half of 2006 in particular, resulting in anticipated sales of € 330 million and a consolidated income of over € 20 million for the BWT Group for 2006 as a whole, following the loss of the AST (Aqua Systems Technologies) segment.

Even springs and wells dry up if we take from them too often and too much. *(Demosthenes)*

AQUA ECOLIFE TECHNOLOGIES

AET 2005

Aqua Ecolife Technologies (AET)

PRODUCTS, MARKETS, STRATEGY

The paramount goal of the BWT – Best Water Technology Group is to respond to the growing awareness of health issues as well as the increasing demand for a better quality of life, while simultaneously fulfilling optimal ecological criteria and offering its customers groundbreaking, environmentally friendly products and technologies for safe, clean and healthy water.

The Aqua Ecolife Technologies business segment supplies products and systems for the treatment of drinking water, process water, boiler water, cooling and air-conditioning system water for individual homes and apartment buildings, housing developments, hotels, hospitals, sports facilities, homes for the elderly, municipalities, as well as industry and commerce.

The BWT Group is the market leader in Europe with a market share of over 30 %.

TECHNOLOGICAL LEADERSHIP

BWT's R & D departments are working with tremendous commitment on the development of innovative products and concepts, and today are setting new technology standards worldwide. To secure and improve the quality of drinking water for individual homes and apartment buildings, BWT offers protective filters, water softeners, mineral aggregate dosing systems, nitrate reduction devices, disinfection plants, membrane technology and the revolutionary 3-phase technology of AQA total Energy.

INNOVATIVE TECHNOLOGIES FOR SAFETY, HYGIENE AND HEALTH

Consumers' growing need for safety and improved quality of life is also reflected in the increasing demands relating to the quality of drinking water. Safety, hygiene and health are the key factors in AET activities, from fundamental research to sales and after-sales service.

The ever more stringent regulatory requirements - such as the EU Drinking Water Directive (DWD) - also create new market opportunities. In addition, constantly improved methods of analysis provide for more rapid growth.

A focal point of activities in the 2005 financial year therefore remained the further development of products and technologies to ensure drinking water quality. The most important projects were concerned with the development of a new generation of UV systems, the modernization of the filter range, the development of new control units for softening technology and the first part of an extensive range of products for point-of-use ("point-of-use" means that the water treatment devices are used immediately at the point of water use/consumption, in contrast to "point-of-entry" devices which are installed where the domestic water enters the building).

Hygiene in drinking water systems cannot be achieved through a standard solution. Each water system is unique; the causes of contamination are manifold. Because of its comprehensive expertise in water, BWT is able to provide customized solutions and support for systems and operators for the different problems - from prophylaxis (= protection against limescale and corrosion) to the destruction and removal of bacteria.

BWT has therefore developed a 3-phase hygiene management concept for water hygiene in buildings. Protection against particles, limescale, and corrosion are essential to prevent water installations from legionella bacteria. To restore water hygiene and to continuously disinfect cold and warm water systems, BWT offers the Reaxan process, where chlorine dioxide offers effective long-term protection. BWT's B-SAFE filter is used to protect against legionella bacteria at point of use.

The chemical free PairOx process was developed specially for air-conditioning systems. The Coolzon process was developed specially to destroy bacteria in cooling water using ozone. The system can also be equipped with an optional chlorine dioxide unit (Coolzon plus) to improve its long-term effectiveness. The biocides that are normally used to destroy bacteria no longer have to be used.

HIGH INTERNATIONAL STANDING

With its well-known brand names such as BWT, Cillit, Permo, CAE and HOH, BWT follows a successful multi-brand strategy. However, different designs have one thing in common: the innovative power of the market leader BWT offering the highest level of quality. Doing this, a lot of attention is given to the regional needs of our various international markets.

The BWT marketing strategy, together with a series of economic and ecological product advantages, has allowed BWT to continually expand its market shares in most regions in the AET segment despite sometimes very difficult economic conditions. The extensive product program, unique technologies and strong brands are the mainstays for the continued expansion of BWT's market presence. There is high growth potential in Europe, especially in the EU accession countries, as well as in Asia.

BEST SERVICE QUALITY GUARANTEES LONG-TERM CUSTOMER LOYALTY

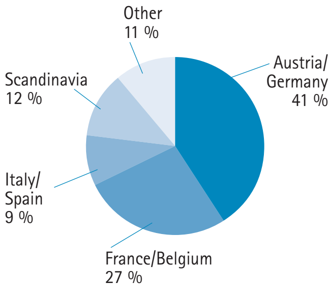
Aqua Service offers efficient and competent services relating to all fields of water treatment with a broad-based network all across Europe. Only optimum service secures long-term retention of value and the reliable operation of a modern water treatment system. This applies to individual customers, as well as to hotels, industry and municipalities. The range of services of "Aqua Service" is being further optimized and expanded to meet the requirements of our customers on an ongoing basis.

SUCCESS WITH STRATEGIC MARKET PARTNERS – SANITARY WHOLESALERS AND EXPERT PLUMBERS

The BWT sales organization relies on close partnerships with its strategically important market partners in sanitary wholesaling and plumbing, because we are convinced that the valuable resource water is only a market for experts. In future, consumer interest will focus increasingly on water hygiene, and plumbers will have to extend their expertise in this field.

With BWT's comprehensive market support with regard to product range, training, and sales promotions, any forward looking plumber has the opportunity to position and distinguish himself locally as a BWT water expert. Health protection for consumers, on which the EU Drinking Water Directive is based, provides the statutory basis for this.

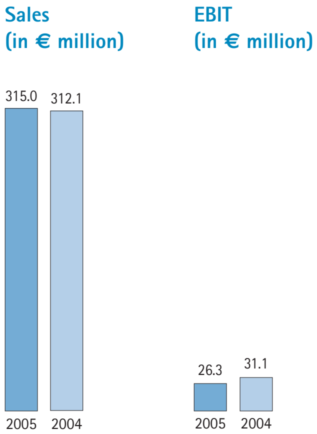
AET regional sales 2005 (in %)



BUSINESS PERFORMANCE 2005

In the Aqua Ecolife Technologies ("AET") business segment, the BWT Group increased its sales by 0.9 % from € 312.1 million to € 315.0 million in the 2005 financial year, which was dominated by the strategic spin-off of the AST business segment. The moderate growth in the AET business segment is principally due to the decline of sales in France, where after several years of exceptional growth a decline of 3.3 % was posted in 2005. At 5.1 %, the Eastern European companies grew above the average for the Group, and overall in 2005 BWT generated approximately 6 % of its growth in the AET business segment in Eastern Europe. The sales share outside Europe in 2005 was 2.2 % (previous year: 2.0 %), which clearly demonstrated the growth opportunities for BWT outside Europe. Another exceptional contribution to the development of sales in 2005 was provided by the service and spare parts business: with almost € 65 million (+8.9 % compared with 2004), 20.5 % of AET sales where achieved here, compared with 18.7 % in the previous year.

In the AET business segment, EBIT declined by 15.4 % from € 31.1 million to € 26.3 million. The decisive factors for this were the decline in sales in France at the same time as the building up of capacity in the service area, and the posting of special expenses associated with the spin-off of the AST segment (€ 0.7 million) and a book loss with the disposal of non operating of real estate in Switzerland (€ 0.3 million). The considerably improved earnings position of the HOH companies (especially in Denmark) as well as increases in profits in Italy, Switzerland, and Eastern Europe compensated for a decline in earnings in Germany and Austria (caused by higher advertising expenses and increased costs for the preparation of the point-of-use range of products). The number of employees amounted to 2,007 as at December 31, 2005 (previous year: 1,966).



AET key figures in € million	2005	2004
External sales	315.0	312.1
Internal sales	3.1	3.5
Total sales	318.1	315.6
EBITDA	33.4	40.0
Depreciation	7.1	8.9
Operating profit (EBIT)	26.3	31.2
Assets	245.8	230.7
External funds	154.4	155.5
Investments in intangible and tangible assets	8.4	6.3
Employees	1,990	1,968

OUTLOOK

After the spin-off of the "AST – Aqua Systems Technologies" business segment to Christ Water Technology AG, which has been operating independently since November 8, 2005 the BWT – Best Water Technology – Group will in future concentrate on the development, production, sale and service of series production products for water treatment in accordance with the motto "Safety, Hygiene and Health – BWT Water Technologies for a Better Life". The declared aims of BWT management in this respect are geographical expansion with stronger growth outside the European Union (primarily in the growth markets of Eastern Europe and Asia) as well as the expansion of the product range, especially in the so-called "point-of-use" area (as an addition to the traditionally emphasized "point-of-entry" area).

Everything came from water! Everything will be preserved through water! *(Goethe)*

AQUA SYSTEMS TECHNOLOGIES

AST 2005

Aqua Systems Technologies (AST)

Due to the spin-off of Christ Water Technology, we are reporting here for the last time on the Aqua Systems Technologies business segment.

PRODUCTS, MARKETS, STRATEGY

The Aqua Systems Technologies business segment – the Christ Water Technology Group – is engaged in the research, development, planning, construction and service of water

technology products and systems for industry and municipalities. It offers customized, economically and ecologically optimized water treatment systems based on modular components which are increasingly also being operated and serviced.

Today, the Christ Water Technology Group is a market leader in industrial water treatment in Europe and holds excellent marker positions on the global markets, particularly the growth markets in Asia.

The leading market position of Christ Water Technology was only recently affirmed by the "2005 Market Penetration Leadership Award" awarded by the renowned market research institute Frost & Sullivan.

SPIN-OFF OF THE CHRIST WATER TECHNOLOGY GROUP

In a pro rata move, BWT AG spun off its wholly owned subsidiary Christ Water Technology AG – and thus the entire "AST – Aqua Systems Technologies" business division to Christ Water Technology AG – with effect from November 8, 2005. For every BWT share held, the shareholders of BWT AG received an additional share in Christ Water Technology AG on the above date.
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.

Christ Water Technology AG and its subsidiaries were deconsolidated on October 31, 2005 in accordance with international accounting regulations. 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. Mutual receivables and liabilities are treated as receivables and liabilities toward third parties such in the annual financial statements of BWT as well as the CHRIST Group at December 31, 2005.

SEGMENT REPORT

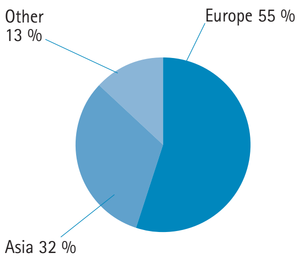
The increase in the sales contribution of the Pharma & Life Science division from € 29.7 million to € 36.9 million was mainly attributable to the expansion of the product range and increased international presence.

In the Ultrapure Water division (microelectronics, power stations, industrial waste water), sales fell from € 95.7 million to € 60.0 million. Up to October, there was no major project similar to that of 2004, when most of the AMD plant in Dresden was processed.

Food & Beverage sales fell from € 25.2 million to € 18.3 million, also due to a lack of major projects like those of the past three years in Russia.

By contrast, the municipalities business enjoyed impressive growth with an increase to € 32.1 million compared to € 22.6 million in the previous year. The expansion of business activities to the Arabian and East European countries has paid off, as has the formation of a subsidiary in South Africa.

AST regional sales 2005 (in %)

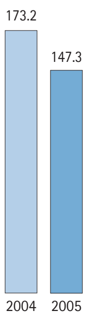


BUSINESS PERFORMANCE 2005

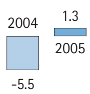
The proportion of sales of the industrial and municipalities business in the BWT Group fell from € 173.2 million to € 147.3 million, a 15% decline that was the result, as already mentioned, of the deconsolidation of this business segment on October 31, 2005.

As expected, the industrial and municipalities business performed the turnaround under the umbrella of the "AST – Aqua Systems Technologies" business segment. Until the segment was spun off, i.e. in the period from January to October 2005, customized systems in the AST segment were responsible for positive EBIT of € 1.3 million, while in the 2004 financial year (January to December) there was a loss of € 5.5 million. In addition, internationalization was driven forward dynamically, which in the short term increased the degree of localization and thus improved the margins. In 2005, 796 people (previous year: 796) were employed in this business division.

Sales (in € million)



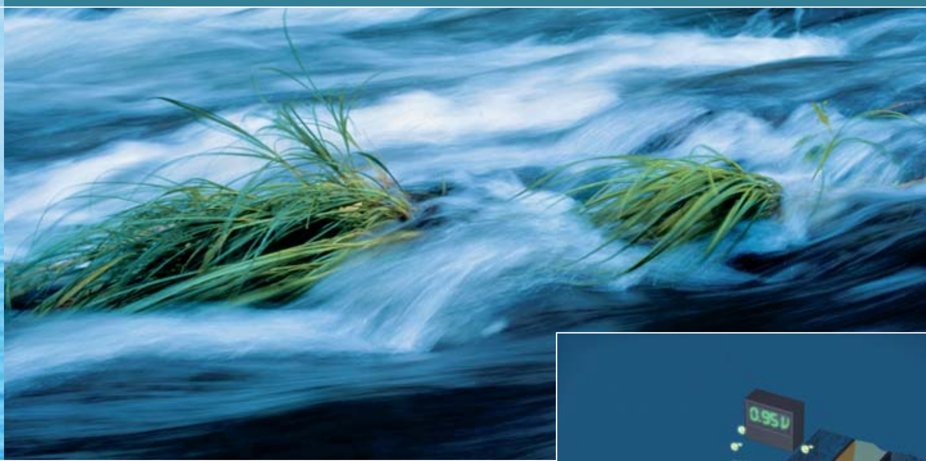
EBIT (in € million)

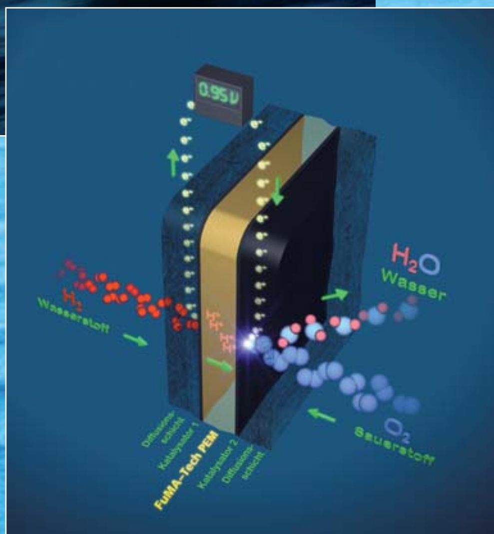


AST key figures in € million	2005	2004
External sales	147.3	173.2
Internal sales	2.1	5.1
Total sales	149.4	178.4
EBITDA	3.6	-1.6
Depreciation	2.3	4.0
Operating profit (EBIT)	1.3	-5.5
Assets	0.0*	158.6
External funds	0.0*	103.5
Investments in intangible and tangible assets	2.9	3.6
Employees	0.0*	796

**deconsolidated at 31.10.2005*

To reach the spring you must swim against the current. *(Confucius)*





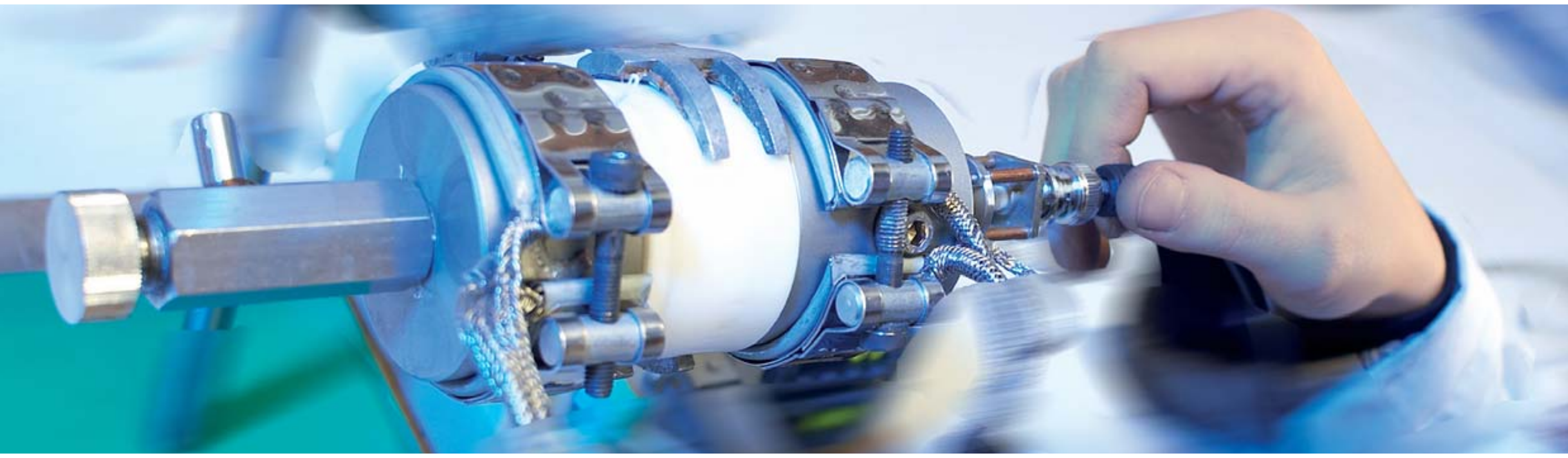
FUEL CELL MEMBRANE TECHNOLOGIES

FCMT 2005

Fuel Cell Membrane Technologies (FCMT)

PRODUCTS, MARKETS, STRATEGY

With its FUMATECH subsidiary, BWT has established itself on the future fuel cell market as a supplier of innovative fumion® polymers and fumapem® polymer membranes as central components of a Membrane Electrode Assembly (MEA), the heart of the fuel cell.



FUMATECH thus serves, as a direct supplier (first tier) of components, the fuel cell market developed by OEMs from the car industry, from stationary power generation and from portable electric power supply.

One of FUMATECH's key USPs is its ability to supply both perfluorinated and non-fluoric membranes. To do this FUMATECH has for a long time used patented hydrocarbon materials based on sulphurized polysulphones and sulphurized polyketones. These products are both more economical and more efficient in many applications than conventional perfluorinated membranes.

FUMATECH has positioned itself strategically as a supplier of components. The manufacture of fuel cell modules is ruled out on principle. FUMATECH is thus never in competition with potential customers and OEMs from the field of car applications or with manufacturers of fuel cell systems.

As a result, established MEA manufacturers are the first target as a potential client base. However, it is becoming clear that because of the complex manufacturing processes resulting from miniaturization, there is also an increase in demand from manufacturers of portable fuel cells for uncoated membranes and polymers contrary to the usual use of membrane electrode units. In addition, it is becoming apparent that car manufacturers will produce fuel cell modules themselves. To achieve the reduction in costs required, the number of individual components in the module is being reduced and current development is focusing on investigating integrated components with greater functionality. In the longer term, this is expected to produce greater demand for uncoated membranes and consequently an additional market for fumion® polymers and fumapem® membranes for use in cars.

This strategic alignment has allowed us, with minimum risk, to successfully bring together the strengths of our innovative development and a multitude of patents with product experience and a clear direction for marketing. FUMATECH has transferred the necessary product experience from the manufacture of conventional ion exchange membranes to fuel cell technology and is now able to offer excellent fluoric membranes (the fumapem® F series) and non-fluoric membranes in rolls (the fumapem® P series). In the area of non-fluoric membranes in particular, FUMATECH has access to demonstrably the most stable materials in hydrolytic and chemical terms. Today, these high performance membranes are used in both reformate/air fuel cells and hydrogen/air fuel cells, as well as in direct methanol fuel cells.

A large number of companies now develop and manufacture proton exchange membranes. In addition to worldwide patent protection for the manufacture of improved perfluorinated membranes as well as for the manufacture of stable non-fluoric hydrocarbon membranes, the expertise and patent protection of FUMATECH is supplemented by the unique inorganic/organic multi-matrix membranes as well as the procedure for their manufacture and use. As a result, FUMATECH products can be used in all types and operating modes of current and future fuel cells.

Membrane fuel cell components are classified by area of operation and use. FUMATECH supplies fluoric and non-fluoric polymer membranes for low temperature fuel cells used at low moisturization and at temperatures of up to 85°C (type 1). These membranes are predominantly used for small portable applications.

FUMATECH provides the familiar inorganic/organic hybrid membrane (type 2) for use with medium temperature fuel cells in operation at temperatures up to 125°C, usually without external wetting. These membranes are predominantly intended for use in both stationary and mobile applications and for the on-board supply in an APU (auxiliary power unit). FUMATECH has comprehensively safeguarded this area of application in particular using patents.

The current development work on dry proton conductors (type 3) will continue in another application area, namely high temperature fuel cells in operation at up to 160°C without water. Since 2005, FUMATECH has supplied additional polymers and membranes from ABPBI for doping with phosphoric acid. These membranes have already been successfully tested by customers in long-term stationary applications.

The direct methanol fuel cell for portable small applications will also be of particular importance (type 4). The influence of both the membrane and the catalyst charging are crucial in determining the power density of a cell. The new non-fluoric hydrocarbon membranes using inorganic/organic nano-particles in multi-matrix technology are distinguished by the low membrane thicknesses and lower water and methanol permeability.

Recently, catalysts containing no precious metals have been available for the direct methanol fuel cell, through ACTA amongst others. For FUMATECH, this opened up a new market for the already available alkali-stable anionic membranes of the fumapem® FAA type. A multitude of customers using fuel cells in portable applications were supplied with this membrane in the intervening period. In addition, the fumasep® FBM bipolar membrane, which has been known about and protected by patent for a long time, was successfully tested for use in fuel cells.

New developments for use in small applications currently include alternative liquid fuels such as ethanol, formic acid and other non-toxic and non-explosive liquids. FUMATECH provides new membranes for these activities also. This also includes providing products in competition with DMFC from the field of redox batteries, which can be advantageously recharged using solar and wind energy.

A LEADING COMPONENT SUPPLIER TO THE FUEL CELL INDUSTRY

As an established membrane manufacturer, FUMATECH provides all the components required to produce a membrane electrode unit such as polymers, polymer solutions and membranes. In addition, it manufactures and distributes membranes for producing hydrogen through the electrolysis of water. The available expertise and the production plants for the series production of flat membranes form a sound basis for the fuel cell business.

On the periphery of fuel cell systems, components are also needed to wet fuel gas as well as for process and cooling water. FUMATECH supplies specialist membranes for the wetting and internal water management of fuels. For stationary use, desalination and cooling water treatment are also offered, as a well as process for internal water management.

The polymers and membranes manufactured by FUMATECH are currently used mainly in small batches, prototypes and development products at OEMs, by manufacturers of membrane electrode units as well in research institutes and universities. In order to improve the commercial availability of these products around the world, and to simplify the processing of small orders for the customers, an online webshop was set up on the FUMATECH home page. A simplified ordering and payment procedure should provide special developers with easier access to FUMATECH products.

FURTHER EXPANSION OF R & D COOPERATIONS

In order to guarantee the sustainability of the work at FUMATECH and to ensure the market position is safeguarded in the long term, cooperations signed in the past were extended in 2006.

The most important research partners in Germany include, in addition to the Max-Planck-Gesellschaft, the Jülich Research Center and the Center for Solar Energy and Hydrogen Research (ZSW) in Baden-Württemberg. The objective of the ongoing work is to optimize products for operation at temperatures of up to 125°C without wetting, for water-free operation at temperatures of up to 160°C and for direct methanol fuel cells.

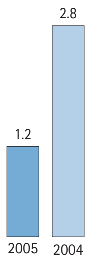
In a second European research cooperation, FUMATECH in involved with the development of components for use in cars. As part of the "AutoBrane" programme, improved membranes for mobile use are being developed in cooperation with a multitude of car firms. In the second project entitled "HySYS", a compact membrane wetting device is being developed for use in motor vehicles.

In another cooperation with the Fraunhofer Institute for Solar Energy Systems (FhISE), a miniature electrolyzer is being developed as a charging station for portable fuel cells. This product will be unveiled at the Hanover Fair in 2006.

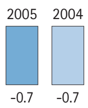
RESULT 2005

In the Fuel Cell Membrane Technologies ("FCMT") business segment, which in the previous year also supplied several specialized membrane systems for the beverage industry in addition to membranes for use in fuel cells, sales declined by 57.1 % from € 2.8 million to € 1.2 million. The decline in sales meant no improvement for EBIT, as fundamental research and development activities for specialized membranes for use in fuel cells continued as planned and resulted in negative EBIT of € -0.7 million.

Sales (in € million)



EBIT (in € million)



AST key figures in € million	2005	2004
External sales	1.2	2.8
Internal sales	0.1	0.2
Total sales	1.3	3.0
EBITDA	-0.7	-0.7
Depreciation	0.1	0.1
Operating profit (EBIT)	-0.7	-0.7
Assets	2.3	2.7
External funds	1.2	1.6
Investments in intangible and tangible assets	0.1	0.4
Employees	17	16

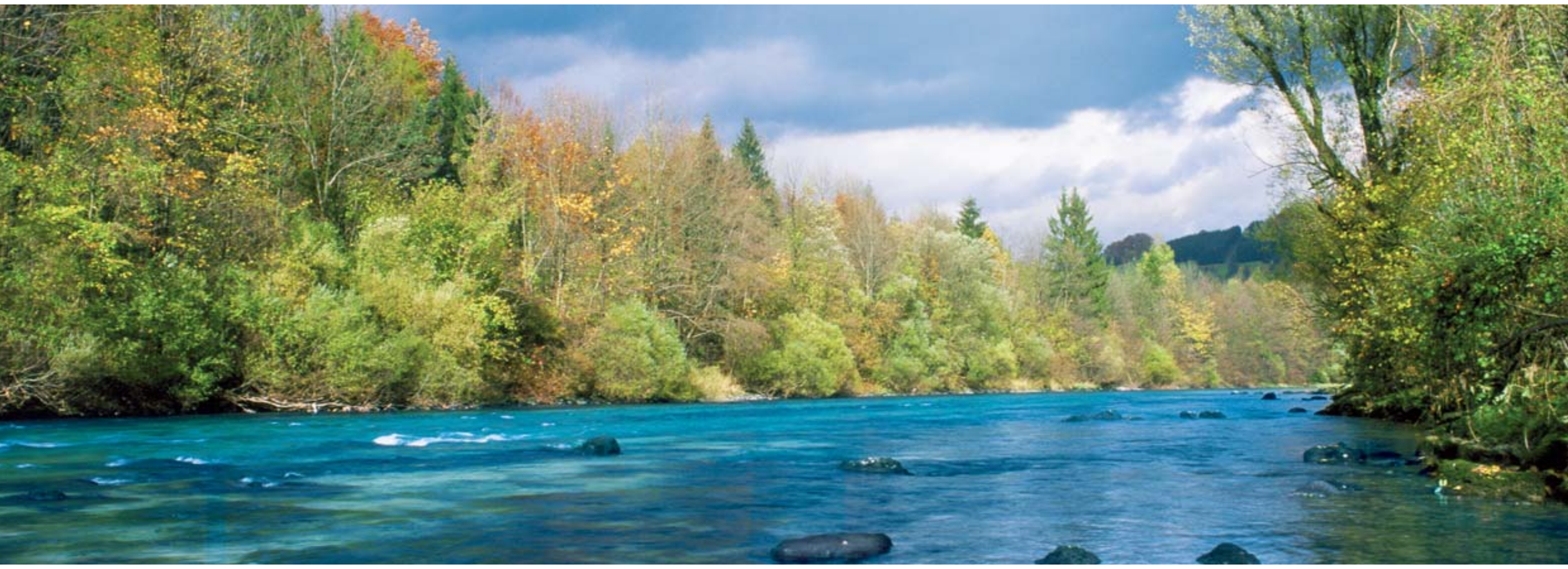
Aqua Finance

The “Aqua Finance” segment is responsible for optimising the real estate assets of the group and holding small strategically interesting financial participations.

Aqua Finance key figures in € million	2005	2004
External sales	0.0	0.0
Internal sales	0.0	0.0
Total sales	0.0	0.0
EBITDA	0.4	0.2
Depreciation	0.3	0.2
Operating profit (EBIT)	0.1	0.0
Assets	18.1	14.5
External funds	17.3	8.2

Sustainability report

BWT has a responsibility towards its employees, society, its customers, market partners, investors and the environment, and this responsibility extends far into the future. The concept of "sustainable behavior" means those measures which comply with the requirements of today's generation without endangering the possibilities for future generations.



What follows is a short overview of how we put this responsibility into practice at BWT on four levels:

1) Principles, visions and strategies
2) Management systems and organization
3) Products and services
4) Programs, activities and results

Principles, model and strategies

BWT – BEST WATER TECHNOLOGY – is our identity and our program.

The goal:	Best	Performance and achievements
The task:	Water	Safety, hygiene and health in the water
The solution:	Technology	Optimization of economy and ecology

Our vision reads: "BWT – the leading international water technology Group". Our strategy is growth through innovation, geographical expansion, and growth in existing markets with existing technology. Financing should be by way of the company's own cash flow. In so doing we are thoughtful of the scarcity of water on our planet. Our employees are a key factor in our success and we specifically encourage their further development.

The focal point is customer-oriented thinking and behavior, based on a long-term partnership and continuous evaluation of customer requirements with the goal of finding the best possible solution. We are responsible to society as well as the Government and its authorities for complying with all the statutory regulations. With our market partners we maintain fair relationships based on respect. We want to offer our investors as high a return on their capital as possible. Our water treatment products and their manufacture should make a positive contribution to the ecosystem.

Management systems and organization

Our processes are certified in accordance with ISO 14.001:2005 or ISO 9000 (Schriesheim site, Germany, St. Denis, France). In addition, we employ a range of stakeholder-specific instruments and measures in order to measure non-financial parameters and promote sustainable trading.

Employees:
Human resources represent a critical factor in our success. Recruitment, promotion of personal development and further training are coordinated locally and flexibly by the senior staff responsible and human resources management.

Society:
Our products fulfill all statutory conditions and are developed by us with the goal of maximum customer benefit and environmental friendliness. Durability and low operating costs compared with the competition go hand in hand. Our customers include regional administrative bodies (authorities) and in addition we are in negotiations with a variety of social institutions.

Customers:
Private households, hotels, trade and industry and everyone who values safety, hygiene, health and protection of all water-carrying installations and equipment. We are in close contact our partners (plumbers, wholesalers, planners, architects) for a high degree of customer satisfaction.

Market partners:
As a premium provider, we take great care when choosing our suppliers, preferring quality providers and those with high environmental standards.

Investors:
Since January 2006 there has been a manager responsible for investor relations

Environment:
Extensive environmental investigations have been carried out at the Schriesheim site in Germany, the St. Denis site in France and the Milan site in Italy. The goal of the company's environmental management policy is to minimize waste, emissions and energy use and to increase the degree of material use etc. over the entire value added chain.

Products and services

Society:

Our products and services ensure safety, hygiene and health in delicate drinking water and process water installations. For many branches of industry, clean drinking water is of central and direct economic importance (tourism, for example).

Customers:

Our customers attach importance to safety, hygiene and health in drinking water and process water installations. Our products enjoy an excellent reputation in the market for quality, efficiency and durability.

Market partners:

We choose our suppliers with great care in the interests of a high-quality solution and promote sustainable partnerships in the interests of our customers.

Environment:

BWT is known for the high quality and durability of its products. We aim for economically and ecologically optimized solutions over the entire production process. Many of our products possess the best environmental data when compared with our competitors and are extremely durable.

Programs, activities and results

Employees:

Regular employee satisfaction surveys, employee seminars/further training, trainee "mentoring", option of working part time, profit-sharing models, management meetings, social security benefits, equal treatment of all employees in terms of race and religion, promotion of employee communication (intranet, newspaper), and similar.

Society:

BWT sees itself as a family which also helps people in need outside the family. For instance, its subsidiary company provided extensive aid (container water treatment systems) when Asia was hit by the tsunami.

Customers:
BWT holds a position as a quality provider in the market (corresponding marketing and communications policy). We provide technically sophisticated, durable and reliable solutions.

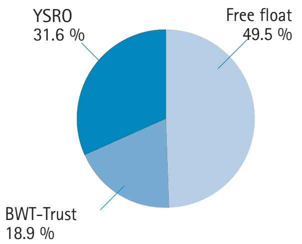
Market partners:
We ensure fair and long-term partnerships with our cooperation partners and suppliers and treat our competitors with respect.

Investors:
We exploit business opportunities in our market, water technology, to achieve attractive levels of growth and profitability (for example, internationalization). Our shareholders receive regular reports regarding how business is progressing. To do this, we make use of all the standard communication instruments and directly approach the financial community. The attractiveness of the share should thus continue to rise.

Environment:
We carry out regular checks at our main sites on emissions (CO_2, waste, sewage, paper, scrap, tailings etc.) as well as on water and energy consumption (heating oil, electricity) and put in place measures to further improve the data.

The BWT share

Shareholder structure



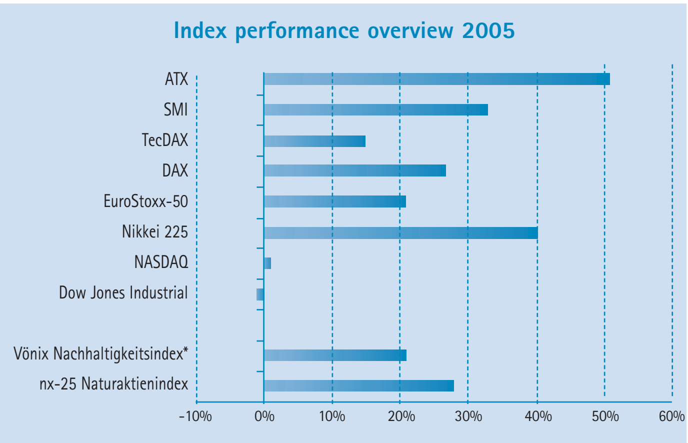
Data and facts about the BWT share

No. of shares	17.8335 million, issued to bearer
Free float	49.5 %
ISIN	AT0000737705
Bloomberg code	BWT AV
Reuters code	BWTV.VI
Minimum price 2005	€ 21.65 (as at December 14, 2005)
Average price 2005	€ 28.31
Maximum price 2005	€ 36.15 (as at September 7, 2005)
Year-end price 2005	€ 23.25
Market capitalization	€ 415 million (as at December 29, 2005)
Trading volume (in shares) per day	59,240 (double counting, Vienna Stock Exchange, 2005)
Trading volume (in €) per day	1.6631 million (double counting, Vienna Stock Exchange, 2005)
ADR program	Level 1, Bank of New York, 1 ADR = 1 share, Symbol: BWTAY
Index membership	ATX, VIDX, WBI
Coverage	BA-CA, Deutsche Bank, Erste Bank, RCB

Source: Wiener Börse AG, Bloomberg, Reuters

With the spin-off of Christ Water Technology from BWT, every BWT shareholder received a CHRIST share on a 1:1 basis, the first quotation of which took place on November 8, 2005 on the Prime Market of the Vienna Stock Exchange. It was the first time in the history of the Austrian capital market that a company was floated on the stock market in this way. On a pro forma basis, including the CHRIST price from November 8 through to year-end, BWT shareholders benefited from an increase in the price of 19 %.

Despite a combination of adverse events, such as the price increases of key raw materials and political uncertainties, 2005 was a good year for the equity markets in many regions of the world. One exception were the U.S. markets: the U.S. Federal Reserve continued to raise interest rates, a cycle it had begun in mid-2004, under which the Fed Funds Rate rose from 1.0% to 4.25 % at YE 2005. Combined with a profit growth of just over 10 %, the U.S. stock markets did not witness any significant growth.



Source: Vienna Stock Exchange, Volksbank, Ökoinvest, VBV-Pensionskasse
**since 17.6.05*

Once again, the Vienna Stock Exchange outperformed all the major stock markets in 2005. The ATX rose by 51 %, almost matching the strong performance of 2004 (57 %) and easily surpassing that of 2003 (35 %). This development was mainly supported by the above-average trading results (compared internationally) of the companies listed in Vienna and the active expansion policy of many large caps, as well as smaller firms in Central, Eastern and South East Europe. The full entry of eight countries from these regions into the European Union in 2004 – including four of Austria's direct neighbors – has further alerted the attention of international investors to the favorable economic conditions enjoyed by Austrian companies. This is reflected in the increased proportion of foreign investors trading on the Vienna Stock Exchange, which stood at over 54 % at year-end 2005.

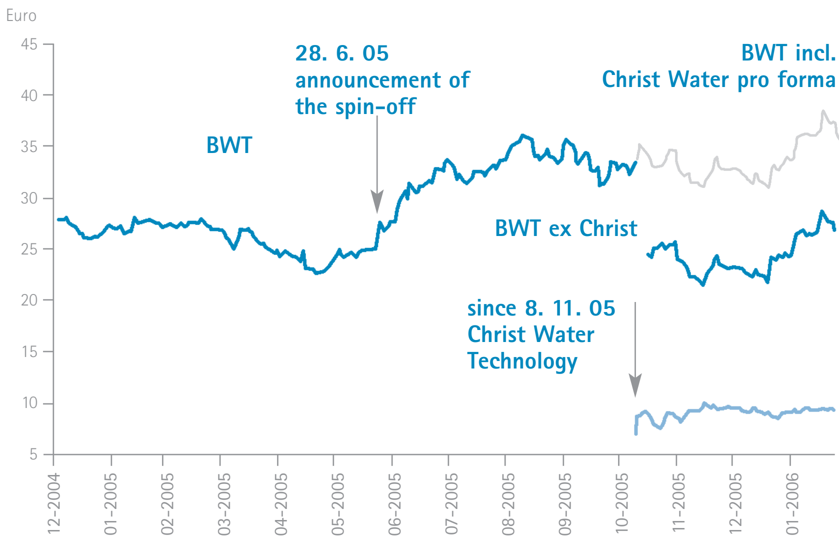
Indices based on sustainability and selected according to strict ethical and ecological criteria, such as the nx-25 (ÖkoInvest) and the VÖNIX (VBV-Pensionskasse AG), also pointperformed well, the VÖNIX only starting in mid-2005.

Investor Relations

It is important to us to maintain an open and direct dialog, so that we can strengthen trust in our share. To this end, we deploy various tools to inform institutional investors such as small investors of our investment story in water technology. These include the following activities:

- Acceptance of the new Corporate Governance Codes in the 2006 version (see details in the Corporate Governance chapter)
- Participation in international investor conferences (e.g. BA-CA, HSBC Trinkaus, Commerzbank, Vienna Stock Exchange roadshows)
- BWT roadshows
- Analyst events
- Investor one-on-ones
- Direct inclusion in our IR service offering (company releases, reports)
- Expansion of coverage through national and international investment firms
- Establishment of a central investor relations office

The BWT share



Source: Wiener Börse AG

Corporate Governance

The Austrian Code of Corporate Governance is primarily geared toward listed corporations and contains standards for good corporate governance through their voluntary adherence to the Code.

The Austrian Working Group for Corporate Governance has released a new version of the Austrian Corporate Governance Code, effective January 1, 2006. The revised version of the original 2002 version implements, among other things, the new corporate governance recommendations of the EU Commission and the Company Law Amendment Act 2005. In total, 36 of the 80 rules were changed.

The Code comprises three rule categories:

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

BWT is committed to the new version of the Austrian Corporate Governance Code and deviates from it in the following respects:

Rule 18
The internal auditing duties are currently being performed by the Group Controlling department. The Supervisory Board receives regular reports about important results of these auditing activities.

Rules 28 through 30
Performance-related payments at BWT AG are not made via stock options, but are dependent on the attainment of predefined goals (e.g. sales success, divisional results, personal/qualitative goals etc.).

Rule 38
The BWT AG Articles of Association do not stipulate any age limit for the members of the Board of Management. Appointments are made solely on the basis of professional and personal qualification.

Rule 39
The Audit Committee is the only committee established by the Supervisory Board of BWT AG. The Supervisory Board of BWT AG comprises experts in various fields and holds constructive meetings at regular intervals, which cover strategic, balance sheet, and personnel-related matters of the company. In this context, the BWT AG Supervisory Board is also involved in all-important decisions of the Management Board as an advisory body.

"Independent" in the sense of the blanket clause of Rule 53 refers to members of the Supervisory Board whose business or personal relationship with BWT AG or its Management Board does not constitute a material conflict of interest allowing to influence the member's behavior. In accordance with the guidelines of the Corporate Governance Code (Annex 1), BWT AG sets the following criteria for independence:

1. The Supervisory Board member has not been a member of the Management Board in the past five years and was not a management employee of the company or one of its subsidiaries.
2. The Supervisory Board member does not maintain a business relationship with BWT AG or any of its subsidiaries to a significant extent for the Supervisory Board member and has not done so within the past year. This also applies to business relationships with companies with which the Supervisory Board member has a considerable economic interest. The approval of individual dealings in accordance with the "L" Rule 48 does not automatically confer independent status.
3. The Supervisory Board member was not an auditor of the company or a participant or employee of the auditing company within the past three years.
4. The Supervisory Board member is not a member of the management board of another company in which a management board member is a supervisory board member of the company.
5. The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons who are in one of the aforementioned positions.

The Supervisory Board thus comprises the following independent members:
Dr. Leopold Bednar, Gerda Egger, Dr. Wolfgang Hochsteger, Klaus Kastner, Dr. Ekkehard Reicher.

Rule 57
The BWT AG Articles of Association do not stipulate any age limit for the members of the Supervisory Board.

Rule 58

Supervisory Board member	First appointed	End of current term
Dr. Leopold Bednar (Chairman)	July 5, 1991	May 24, 2006
Dr. Wolfgang Hochsteger (Dep. Chairman)	July 5, 1991	May 24, 2006
Gerda Egger	May 24, 1996	May 24, 2006
Dipl. Vw. Ekkehard Reicher	May 24, 1996	May 24, 2006
Serge Schmitt	May 29, 2002	May 24, 2006
Klaus Reinhard Kastner	May 23, 2001	May 24, 2006

Where applicable, other supervisory board mandates or similar functions in domestic or foreign listed corporations are disclosed:
Dr. Leopold Bednar, Dr. Wolfgang Hochsteger and Serge Schmitt are also Supervisory Board members of Christ Water Technology.

Rule 70
Reports regarding the acquisition and sale of BWT shares by members of the Board of Management or the Supervisory Board are communicated in accordance with Article 48d/4 of the Stock Exchange Act to the Austrian Financial Market Authority. Reference is made to the Austrian Financial Market Authority website on the BWT AG website.

Rule 80
The assessment of the effectiveness of risk management by the auditor has been made since the 2004 financial year for the key participations under the audit.


1 EURO

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 paricipation 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 paricipation 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 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 acqusition of minority shares and the acqusition 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 in € 1000's	Capital-reserves in € 1000's	Retained earnings in € 1000's	Other reserves in € 1000's	Total in € 1000's	Minority shares in € 1000's	Total 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 semi-conductor 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 lost 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	Subtotal € 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	Subtotal € 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:		
Sharholders 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 asstes	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.

Capitalized 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 31.12.2005 € 1000's	Book value 31.12.2004 € 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 31.12.2005 € 1000's	Book value 31.12.2004 € 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 & 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 € 1000's	31.12.2004 € 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 errection company for a semiconductor factory.

NOTE 10: Inventories

Inventories	2005 € 1000's	2004 € 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 claims:		
Tangible fixed assets	2,388.1	2,496.9
Other (temporary valuation differences)	1,322.3	2,418.7
Deferred tax liabilites	**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 consili-dation € 1000's	Spin-off CHRIST Group € 1000's	Currency differ-ence € 1000's	Deploy-ment € 1000's	Write-back € 1000's	Allo-cation € 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 € 1000's	of which with a remaining term <1 year € 1000's	of which remaining 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
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 € 1000's	of which with a remaining term <1 year € 1000's	of which remaining 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	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	Effektive 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	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
		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	Market value € 1000's	Nominal amount	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	Market value € 1000's	Nominal amount	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 paricipations

As of December 31, 2005, 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 %			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 consoli-dation	Additions	Disposals	Deconsoli-dation 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 consoli-dation	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 consoli-dation	Addition	Disposal	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					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 consoli-dation	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

Imprint:
BWT Annual Report 2005

Edition and Layout:
BWT Aktiengesellschaft

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