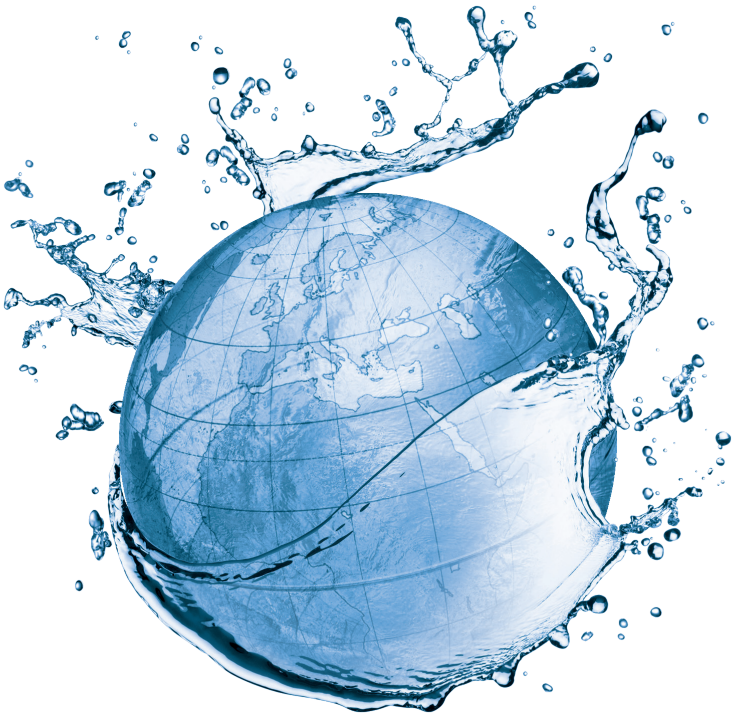
BWT Annual Report

For You and Planet Blue.

BWT
BEST WATER TECHNOLOGY

Just as you have to understand humans to know their needs, you have to understand water to design it.



The Best Water Technology Group (BWT) is Europe's leading water technology company. BWT's 2,600 employees aim to supply private, industrial, business, hotel and public sector customers with innovative, economical and ecological technologies that guarantee maximum safety, hygiene and health in the daily use of water. BWT provides state-of-the-art water treatment technologies and services for drinking water, pharmaceutical water, process water, heating water, boiler water, cooling water, water for air-conditioning systems and water for swimming pools. Our Research & Development teams use the latest methods developed to work on new processes and materials to create products that are both ecological and economical. A key development issue is a reduction in the products' consumption of operating resources and energy to minimise CO_2 emissions.

BWT
BEST WATER TECHNOLOGY

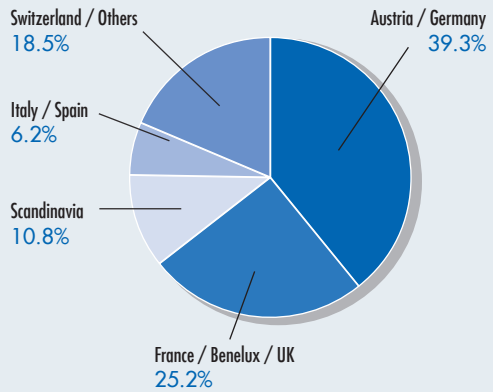
For You and Planet Blue.

Overview		IFRS	IFRS	IFRS
		2014	2013	2012
Consolidated group sales	million €	505.3	507.7	502.3
EBITDA	million €	45.7	41.0	40.8
EBIT	million €	25.8	23.1	22.2
Earnings before taxes	million €	19.1	18.1	20.7
Consolidated net earnings	million €	10.5	10.8	14.4
Cash flow from operating activities	million €	39.5	31.5	30.1
Number of shares as of 31/12 (excl. own shares)	million	16.8	16.8	16.8
Earnings per share	€	0.61	0.64	0.87
Dividends and bonus per share	€	0.10*	0.28	0.28
Investment in tangible and intangible assets	million €	25.4	34.7	36.3
Equity	million €	170.9	172.6	168.4
Employees as of 31/12	persons	2,587	2,643	2,726

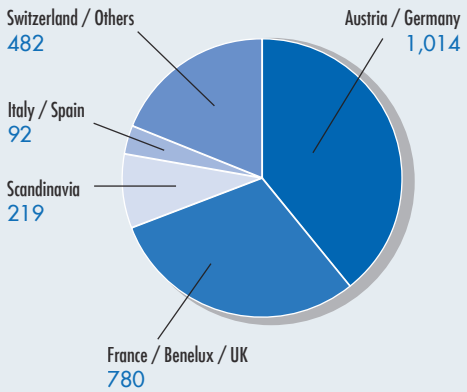
*) Proposal to the AGM **) Spin-off of AST-segment as of end October 2005

Summary of balance sheet	2014		2013	
ASSETS	million €	%	million €	%
Non-current assets	182.8	44.8	182.1	50.6
Current assets	225.2	55.2	178.1	49.4
TOTAL ASSETS	408.0	100.0	360.1	100.0
EQUITY AND LIABILITIES	million €	%	million €	%
Equity	170.9	41.9	172.6	47.9
Non-current liabilities	121.8	29.8	69.5	19.3
Current liabilities	115.3	28.3	118.1	32.8
BALANCE SHEET TOTAL	408.0	100.0	360.1	100.0

Sales 2014 by business segment (in %)



Employees by business segment as of 31/12/2014

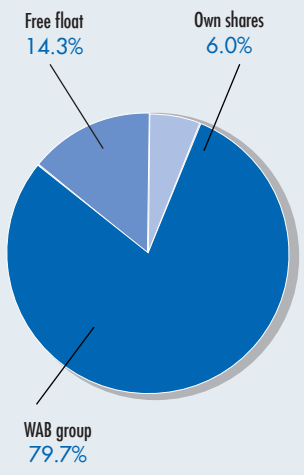


IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
2010	2009	2008	2007	2006	2005**	2004
460.7	400.7	410.2	397.5	362.0	463.5	488.1
47.2	45.7	40.2	45.3	40.9	36.8	37.8
31.5	26.8	29.2	36.3	32.6	27.0	24.9
31.2	30.3	27.0	35.3	31.8	25.7	22.9
22.8	23.1	20.6	26.3	22.2	19.0	17.1
34.3	49.7	28.1	22.5	26.9	26.4	33.9
17.2	17.4	17.5	17.8	17.8	17.8	17.8
1.32	1.32	1.16	1.48	1.24	1.06	0.96
0.40	0.40	0.38	0.38	0.35	0.30	0.27
14.9	9.7	16.6	13.9	10.2	11.2	10.3
163.9	152.8	138.2	129.6	109.2	93.3	137.7
2,820	2,701	2,389	2,354	2,202	2,007	2,780

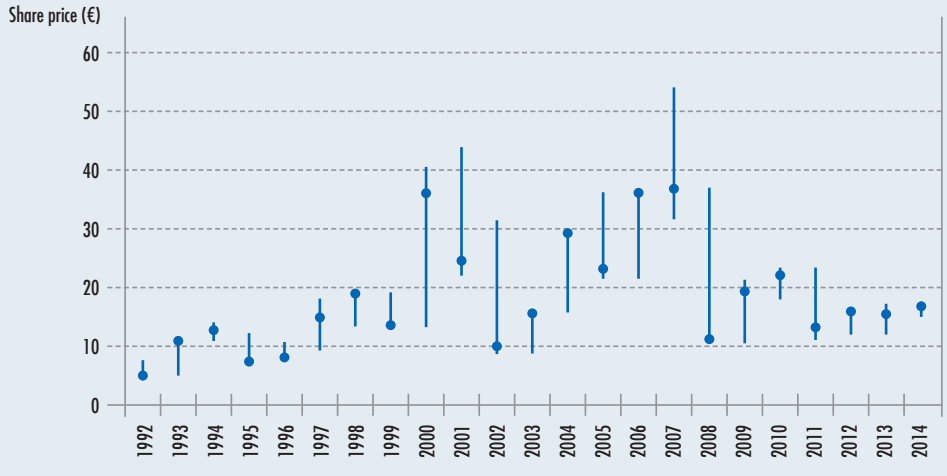
Share price		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
High	€	18.00	17.17	16.03	22.62	23.22	21.84	35.94	53.69	36.63	36.15	27.84
Low	€	15.00	12.1	12.17	10.90	17.97	10.26	10.00	31.54	21.78	21.65	15.25
Closing price	€	17.06	15.25	16.00	13.06	22.00	19.39	11.00	36.40	36.50	23.25	27.84
P/E (closing price)	€	28.0	16.2	18.4	16.3	16.7	14.7	9.5	24.6	29.4	21.9	29.0
Market cap in million	€	304	272	285	233	392	346	196	649	651	415	496

IPO price 1992: € 7.45

Shareholder structure



Share price chart 1992–2014



Source: Wiener Börse AG

Trading range and year-end price

Group results 2014

Foreword by the Chairman of the Executive Board

Dear Shareholders,
Friends of BWT,

25 years ago, in 1990, we had a vision and began our journey to develop an unusual market, water, with BWT – Best Water Technology. It is a market with vital potential for the future given the enormous challenges ranging from population growth, to rising standards of safety, health and hygiene to climate change, to name just a few. Our often unique innovations in water treatment, our products and our strategy, our integrated business concept and the BWT brand are the basis of our future, one that centres around people and the elixir of life, water. This makes BWT a special company.

With knowledge, concentration, persistence, creativity, courage and confidence, and sometimes luck as well, all the time staying focused on our customers' needs, we have developed a number of basic technologies for which we have received numerous widely recognised awards in recent years. On the basis of this technological strength, understanding water like no other company, we have positioned our BWT brand not just with our long-standing pharma and biotech partners and drinking water professionals, but directly with consumers as well. This forms the foundations of our communications strategy.

This is also why we did not allow ourselves to be irritated by a consistently tense overall economic situation in 2014, and instead systematically pursued our strategy. The BWT Group's extensive investment programme that began in 2011 was completed in the 2014 financial year. New production, logistics and R&D capacity was created at the company's headquarters in Mondsee, Austria, with a focus on "Point-of-Use". A cutting-edge BWT pharmaceutical and membrane technology centre was built at the Bietigheim-Bissingen location in Germany.

Our consumer strategy is built around establishing and expanding our BWT brand. Following the successful TV campaign in Austria and Germany, we presented a massive print campaign in Germany's highest circulating newspapers. The establishment of our brand will continue in 2015 with TV spots, advertisements in consumer magazines and press and social media activities.

BWT was again the recipient of prestigious awards in 2014. The E1 single-lever filter alone won three prizes. The LifeCare Initiative gave it the Home & Trend Award for "Innovation of the Year" and the "Best of the Best" Golden Award in the "Interior Decoration" category. The European Economic and Social Committee (EESC) gave the E1 single-lever filter the EESC European Award 2014 for excellent design and sustainability. In addition to the functionality of the design, the jury was also swayed by its user-friendliness. BWT has therefore set a new standard in filter technology for homes.

It is not just our renown that is growing, we are also expanding geographically. We are advancing the internationalisation of the BWT Group with the signing of a master agreement to acquire Mettem Technologies in Russia. Mettem has a leading market position in Russia, good water technology expertise and a strong brand, from which we will develop a lot of new shared opportunities. Our unique BWT magnesium technology is also creating further development potential, especially on promising Asian markets and in Point-of-Use business.

We continued to present technology innovations in 2014 as well. Our direct expenses for our various research and development activities amounted to €9.7 million in 2014.

BWT OsmoVision – the new generation of the world's first and top-selling fully integrated pharmaceutical water system – was developed further for water treatment for our global pharma and biotech clients; total water yield was increased to over 85%. The new OsmoVision process can also be used for chlorine concentrations in untreated water of up to 2 ppm. This is a cold process with internal in situ disinfection, which produces process water in PW (purified water) and HPW (highly purified water) quality round the clock. Production does not need to be interrupted for sanitisation.

The newly developed UV medium pressure lamp range, the "MQ Series", is being used in both the Pharma and the Swimming Pool segment to degrade both bonded and free chlorine. This means big advantages for environmental impact and safety in disinfection.

The introduction of the filter cartridge range "Bestmax BALANCE" signifies a revolutionary innovation for water treatment in the vending industry and for coffee machines in the hotel, restaurant and catering (HORECA) sector. Thanks to its six-stage filtering process, BWT "Bestmax BALANCE" prepares drinking water that contains no traces of silver, sodium or potassium and has a high and stable pH value. This ensures consistently high water quality for coffee and hot beverages and prevents silver-induced corrosion in coffee machines.

Our anniversary – 25 years of BWT – gives us the opportunity to thank all our customers and partners for their loyalty, their faith in BWT and the good cooperation on the basis of our shared values. I would also like to thank our employees who, through their extraordinary commitment in recent years especially, have worked to establish the entire Point-of-Use area, to build new capacity, to expand and build entire new plants and to serve our existing and many new customers in both Point-of-Entry and Point-of-Use. At this point my thanks also go to our Supervisory Board for their commitment and the always constructive, positive cooperation. They form the basis for the strength and also the sustainability (including in a business sense) of our company, with the result that in spite of the major investments of recent years, we have a strong statement of financial position and recently generated revenues of more than €500 million.

The BWT Group is today the market leader for water technology in Europe. Our focus on the element of water gives us internationally unrivalled technological expertise in the fields of water for the pharma and biotech industry to businesses, hotels, hospitals and many other facilities, all the way to water treatment for homes. This positioning and our comprehensive portfolio of technologies provide us with unique opportunities that we intend to exploit. We will therefore continue our efforts to build the "BWT" brand with the brand message "For You and Planet Blue" as the leading "water brand" in 2015. Developing the BWT brand among consumers means sustainable growth opportunities – both for our fledgling business segments and for our Point-of-Entry business, marketed together with our partners, which is already galvanising thousands of people throughout the whole of Europe today.

My dear business partners and friends of BWT! I look forward to continuing our fair and trusting collaboration, and to seizing opportunities for our mission "BWT – For You and Planet Blue." together!

Yours

BWT WATER IS ...

silky-soft

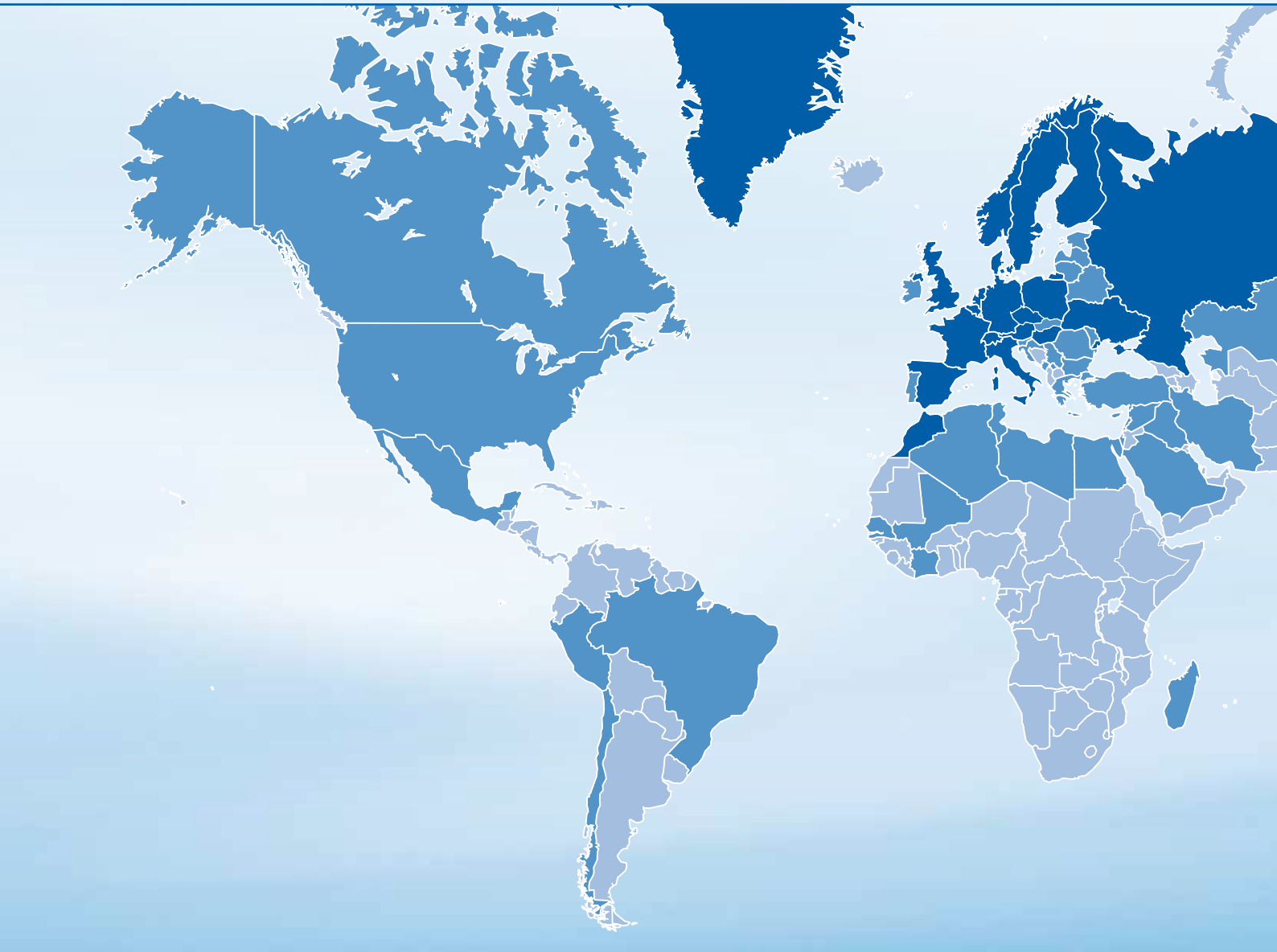
Silky-soft BWT pearl water is not only gentle and luxurious, it's a real beauty secret that soothes the soul, because the softer the water, the more intense the feeling of wellbeing and relaxation. Skin becomes noticeably smooth and supple and hair is silky and shiny. BWT luxury water systems turn every shower into a sensual and refreshing experience, and transform your laundry into a cuddly dream. Shower walls, fixtures and fittings dazzle with a permanent shine and the soft water prevents limescale deposits from forming in your domestic appliances. BWT pearl water systems also reduce the consumption of detergents, cleaning agents and personal care products by up to 50%.

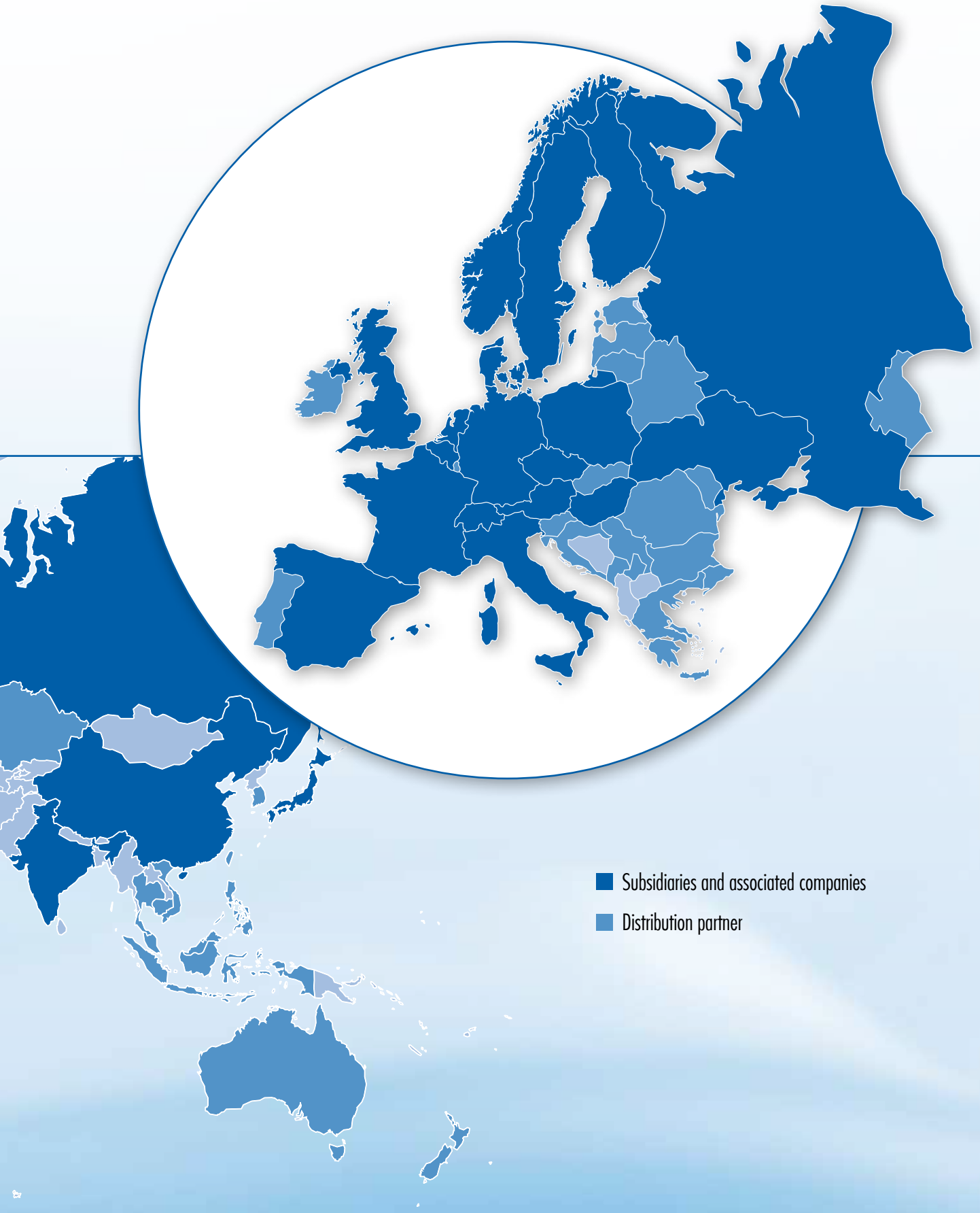
Pearl water system
BWT AQA perla

BEST WATER TECHNOLOGY

BWT – Europe's leading water technology group

- **66 subsidiaries and associated companies**
- **4 main production locations**
- **2,587 employees**
- **505 million € sales**
- **Research and development departments in France, Germany, Switzerland, Austria and Italy**
- **World leading know-how in all areas of water treatment**




Subsidiaries and associated companies
Distribution partner

Supervisory Board

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

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

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

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

Dr. Helmut Schützeneder, Linz
Consultant to the Management Board of Raiffeisen Landesbank Oberösterreich
(until December 31, 2013); member of the Supervisory Board of BWT AG since 2011.

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

Management Board

Andreas Weissenbacher
Chief Executive Officer (CEO)
since 1991

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

Gerhard Speigner
Chief Financial Officer (CFO)
since 1996

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

WHAT DO 7 APPLES AND THE BWT MAGNESIUM MINERALIZER HAVE IN COMMON?

65 mg of magnesium

BWT WATER IS ...

pleasant-tasting

The BWT Magnesium Mineralizer transforms your tap water into a unique taste experience by exchanging the calcium ions that cause hard water for the precious magnesium ions that give the water its pleasant taste. The addition of magnesium brings the mineral content of the water into balance, resulting in an almost neutral pH value that has been recognised as particularly soft and pleasant by connoisseurs of high-quality mineral water. The BWT Magnesium Mineralizer is also an easy and effective way of boosting your magnesium intake, as the water contains 20% of your daily recommended magnesium requirement.

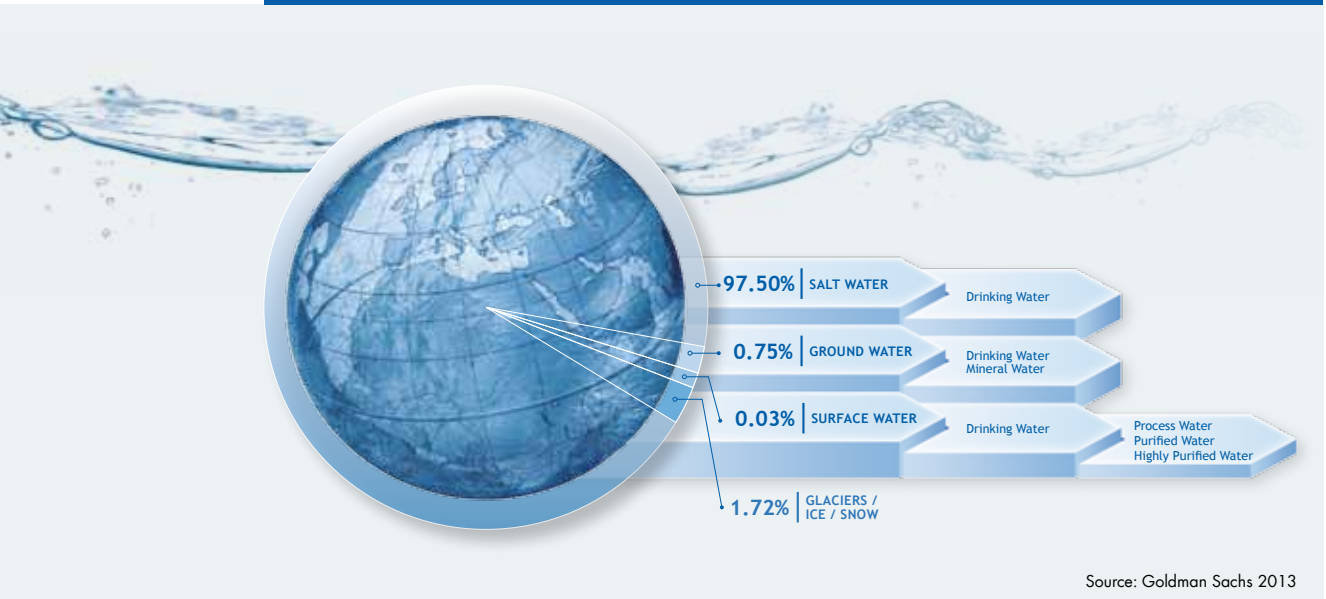
BWT Magnesium Mineralizer

Water – the source of life

There is no life without water: If there were no water, then the world as we know it would not exist. Water covers over 70% of the Earth's surface. Humans themselves are mostly made up of water. Around 60% of a human adult body consists of water. Humans can only survive for a few days without fluid intake, while nature and its prosperity are also dependent on a plentiful and regular supply. In particular, key industries and energy and electricity producers depend on water – around 90% of electricity generation worldwide is water-intensive.

There are alternative sources of energy, but there are no alternatives to water. Global water resources are limited, equalling some 1.38 billion cubic kilometres. This seemingly almost inexhaustible supply of water is put into stark perspective by the fact that around 97.5% is salt water. Another 1.7% of global water resources are retained in glaciers, ice and snow. This ultimately leaves just under 1% of the original quality that is available to people as life-sustaining fresh water.

The earth´s water reserves



Source: Goldman Sachs 2013

From a global perspective, water resources are unevenly distributed. Although Europe has relatively few raw materials, it is rich in water. In Africa, the overall situation is completely the opposite. There are also sharp differences in water consumption per capita between the various regions of the world. For example, average per-capita consumption in Austria (excluding business, industry or large-scale consumers) is approx. 135 litres per day. A 4-person household therefore uses approx. 200 m^3 of water per year. Overall, annual demand for water in Austria is approx. 2.5 km^3 (2.5 billion cubic metres). Approximately two-thirds of this goes to business and industry, just under a third to households and just under 7% to agriculture. With an annual water supply of around 77 km^3, use in Austria is therefore only around 3% of the amount available per year.

However, the value that can be read off the water metre in your home is merely a fraction of the water quantities actually consumed by society. We live today in the belief that a person in Austria only consumes 135 litres of water per day, but the actual figure is estimated to be thirty times this amount. These calculations are the work of British professor John Anthony Allan, who coined the term "virtual water" back in the 1990s. In these calculations, water consumption at the location of consumption is combined with water consumption at the production location in a model.

In particular, agriculture is the biggest user of water in global terms, with around 70% of total abstraction. Water demand for animal and plant products is correspondingly high. In total, 1 kilogramme of beef and a litre of milk are estimated to require 15,500 litres and around 1,000 litres of water respectively. Industrial products such as cars (400,000 litres of water) and PCs (20,000 litres of water) also involve immense masses of "hidden water". The same applies to a pair of jeans (11,000 litres of water).

Water – a resource and human right worth protecting

The considerable significance that water holds for humankind makes it the subject of extensive international and national regulations and laws.

The quality of drinking water is essentially defined by standards set by the World Health Organisation (WHO, Guidelines for Drinking Water Quality), on which the EU's Drinking Water Directive (EU Directive 83/98) and national regulations on drinking water are based. The WHO has defined recommendations and testing parameters for water quality for 200 substances.

In 2000, water was a major influencing factor during the devising of the UN's Millennium Development Goals. At the turn of the millennium, over one billion people had no access to clean drinking water and more than two billion people had no access to sanitary facilities. This means that these people had little chance of participating in social, economic or political life. There has been only a small amount of change in this situation to date. In 2010, the United Nations General Assembly adopted a resolution recognising access to safe, clean drinking water and to sanitary facilities as a human right.

At European level, EU regulations on drinking water have been in place since 1975. The European Water Framework Directive entered into force in 2000. It states that water is not a mere trade commodity but an inherited resource that must be conserved, protected and suitably treated. The European Water Directive sets environmental targets for all surface water and groundwater sources in Europe. The directive aims to protect these water sources, prevent their degradation, and protect and improve the condition of terrestrial ecosystems and wetlands that depend directly on the water balance of these sources.

In 2012, a blueprint was enacted by the European Commission for protecting European water resources. The paper is oriented on the current level of implementation and success of the European Water Framework Directive. In light of the fact that only 53% of all waters will reach the status required by 2015, there is an urgent need for action. Through this paper, the EU Commission is seeking to significantly increase the obligations of the Member States and to advance the implementation of the Water Framework Directive. First and foremost, this is to be accomplished by promoting the implementation measures, cross-area political collaboration (such as the agricultural, fishing and energy sectors) and through the adaption and development of legal requirements.

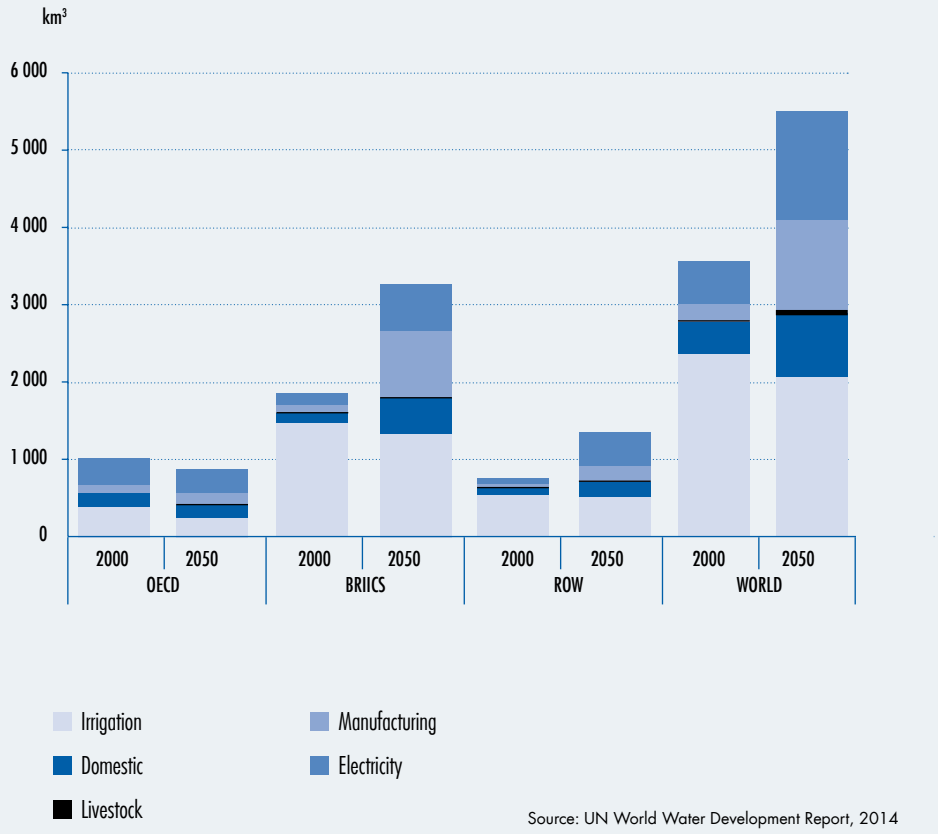
The approach to water is also regulated by national law, for example in Germany through the German Drinking Water Ordinance or in Austria through the Austrian Water Act.

Water – the global challenge of the 21st century

According to estimates by the WHO and UNICEF, 768 million worldwide still have no access to a good supply of water, while 2.5 billion people are affected by inadequate sanitation. Contaminated drinking water is the main cause of cholera and diarrhoeal diseases worldwide, and in developing and emerging countries these diseases are often fatal. Around 3.5 million people continue to die every year as a result of contaminated drinking water.

Global demand for water in relation to the abstraction of water is likely to rise by around 55% by 2050. This is due to the increasing needs of a growing population with changed lifestyles and patterns of consumption. In percentage terms, the biggest increases are attributable to industry (+400%), electricity production (+140%) and households (+130%). By contrast, the forecasts suggest that consumption in agriculture, currently the sector with the highest demand at 70%, will fall slightly. This additional demand for water is increasing the existing pressure on limited natural resources and ecosystems considerably. Groundwater supplies are set to decrease. As a result, more than 40% of the world's population will likely be living in areas with considerable water stress in 2050.

Global water demand (freshwater withdrawals): Baseline Scenario, 2000 and 2050



Source: UN World Water Development Report, 2014

It can therefore be assumed that the situation regarding water will intensify dramatically in the coming years and decades. Water is the global environmental, social, political and economic challenge of the 21st century.

Environmental challenges

Water stress and water shortage

Around a quarter of global water demand is already covered by groundwater. In industrialised nations, use of groundwater reserves is often very low, while it is very high in developing nations. However, these countries are often the very ones whose groundwater reserves are already under severe strain. Groundwater abstraction is often so high here that nature cannot make up for it with its own groundwater reserves. This results in a decrease in groundwater levels, which has already taken on dramatic proportions in many regions.

Water pollution

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

Climate change

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

Degraded soils

Every year, around 6 million hectares of usable agricultural land is lost. The main reasons for this are settlement and the erosion of fertile soils. Much of the land has since become irrevocably damaged and barren, robbing the surrounding populations of their livelihood. Roughly 1.5 billion people are affected by the problem of unfertile soils. Around half of these people live in the poorest regions of the world, primarily in the South Sahara and in India.

Social challenges

Population growth

According to UNO forecasts, the world's population will grow from its current figure of around 7.2 billion people to an expected 9.6 billion people by 2050. The population is growing the fastest in the poorest countries of the world and thus in those regions where water supplies are already scarce. The accelerated transformation will therefore exacerbate the already precarious situation in terms of adequate water supplies for the population.

Urbanisation

The number of cities with a population of over a million continues to rise rapidly. According to UN report "World Economic and Social Survey 2013", in 2010 there were already 449 cities with over one million inhabitants and this figure is on the rise. Half of these people are already city-dwellers and the forecast suggests that this will increase to 65% by 2050. 80% of city-dwellers in 2050 will live in today's developing and emerging countries, particularly in Africa and Asia. Water supply and disposal problems are inevitable. Cities obtain most of their water from groundwater reserves. In many cases, the volume withdrawn exceeds the natural ability of the sources to regenerate, and the groundwater level drops. Around 80% of urban wastewater is released untreated into the surrounding rivers, lakes or the ocean.

Food security

Around the globe, the largest quantities of water are required for agriculture. This sector accounts for around 70% of global demand for water, while industry consumes 18% and households 12%. So far, only around a fifth of all agricultural land is irrigated. However, irrigation generates crop yields that are considerably higher, 2.7 times higher on average than when rainwater is used. In connection with population growth (around 70% more food will be needed worldwide by 2050) and the simultaneous reduction in usable agricultural land, it is likely that the available land will be used more intensively and therefore irrigated.

Energy supply

Not only will the demand for food rise, but energy demand too will rise in line with the growing population and growing affluence. By 2035, global energy demand is expected to rise by over a third, with China, India and the Middle East accounting for around 60% of this increase. The International Energy Agency estimates global water abstraction for energy production at 583 billion cubic metres for 2010 (around 15% of total water abstraction worldwide). An estimated 66 billion cubic metres of water were used here and were therefore not returned to the water cycle. Estimates suggest that water abstraction could rise by 20% and water consumption by 85% by 2035.

Political and economic challenges

Stricter limits on water contaminants

The improvement of safety standards for water and water installations are reflected in a dynamic legislation, especially in reducing limits and introduction of new limits for contaminants in water. International and trans-national cooperation on a political and economic level must also be intensified. There are 276 trans-national river basin development areas around the world and 148 countries are involved in developing them. Many of the existing and potential conflicts involving the precious resource of water can only be resolved through international cooperation.

Water and energy efficiency

Water is the medium par excellence in energy transfer for cooling and heating. The significance of good water quality for energy efficiency and for the protection of costly investments in households and businesses is being increasingly acknowledged, resulting in strongly growing demand for heating water treatment. The use of processing and cooling water in industry also needs to be optimised in terms of resources.

Ageing infrastructure

Developing and emerging countries are faced with the immense challenge of developing a functioning infrastructure for water supply and disposal. For the developing countries alone, the annual amount of investment required to finance water, sanitation and sewerage systems is estimated at USD 103 billion. However, in the industrialised nations where supply networks were developed back at the start of the 20th century, there is a considerable need for action too. Drinking water and waste water pipelines have an estimated useful life of 60 to 80 years and have, in many cases, reached the end of their ability to function properly.

Water – our mission

All these challenges are the source of our corporate objective of ensuring hygiene, safety and health in everyday contact with water, the elixir of life. The vision of the Best Water Technology Group is to become the world's leading water technology group. We are pursuing this vision with a clear growth strategy – growth through innovation, geographic expansion and continuous process optimizations, and, in existing markets, by existing technology.

BWT products are to be found wherever water is present!

Our philosophy "BWT – For You and Planet Blue." is aimed at people's needs for high-quality water with due consideration of environmental aspects. The BWT Group is Europe's leading water technology company. BWT provides state-of-the-art water treatment systems and services for drinking and mineral water, pharmaceutical and biotech water, boiler water, cooling water and water for heating systems as well as swimming-pool water for customers in private households, industry, business, hotels and local authorities. Another key aspect is compliance with all legal requirements, as water is the most strictly controlled food substance in many countries.

In addition to all the macro-economic challenges mentioned in relation to water, there are a number of individual trends that present high growth potential in the water business for BWT.

Consumption patterns

The production of food and consumer goods requires a considerable amount of water usage, with the production of agricultural products being particularly water-intensive. Eating and consumption habits are changing as income rises. Also, growing numbers of people in the developing and emerging countries are able to afford water-intensive foodstuffs such as meat.

Increasing requirements for water quality

Aside from the lack of water availability, the unsatisfactory quality of water is another major problem. Nitrate, arsenic, heavy metals and bacteria contaminate surface water and groundwater in many regions of the world, which is why many people buy bottled water instead. With the help of professional water treatment, substandard water can be transformed into high-quality drinking water, thus helping to reduce the dependency on bottled water.

Water quality as a competitive factor

As a result of increasing consumer requirements, water is used more and more as a factor for differentiation and competition. The hotel, catering and wellness industries in particular rely heavily on the very highest water quality. From drinking water and pool water to water for coffee and tea, water quality plays a decisive role in ensuring success with customers.

Water – a market with considerable growth potential

According to Global Water Intelligence and studies by Deutsche Bank (2010) and Goldman Sachs (2013), the volume of the global water market is between USD 300 billion and USD 500 billion. Based on estimates from 2012, the European Commission even assumes that the global water market will reach a volume of USD 1 trillion by 2020 and then double by 2030.

Therefore, the global water market holds sufficient potential for commercial enterprises. In the industrialised nations, within the next few years, growth of 3% to 5% (US and Western Europe) is expected through improvements in existing water and wastewater infrastructure, while in developing markets, growth of 10% and more is expected (China and India) through the construction of new water and wastewater infrastructure. A wide range of technologies are required for this. Demand for technical equipment (e.g. pumps and fittings), filtration plants, disinfection processes, efficient irrigation technologies, desalination plants for seawater, treatment plants and efficient sanitation facilities is likely to rise especially sharply.

The amount of investment required in global water business is equally vast, with priorities varying considerably from one region to another. In the future, the industrialised nations will have to invest more heavily in modernising their existing water infrastructure. In the OECD nations alone, the annual amount of investment required is estimated at USD 200 billion. By contrast, in the developing and emerging countries, the focus is on putting in place a water infrastructure that can cope with the rapid development of population and industry. Overall, the annual amount of investment required in the global water business is estimated at around EUR 400 billion to EUR 500 billion.

The target market of the BWT Group comprises small, compact water treatment products for households, buildings, industry, hotels and local authorities. We estimate the volume of the European market for water treatment systems in the domestic technology sector (point of entry) at around EUR 1.6 billion, with annual market growth estimated at between 2% and 4% per year. The point-of-use (PoU) segment, where water is treated at the abstraction point, still has a smaller market volume in Europe, although this market promises higher growth rates. The market structure is mostly dominated by local providers; BWT is one of the companies operating internationally, being the market leader in Europe.

BWT WATER IS ...

aromatic

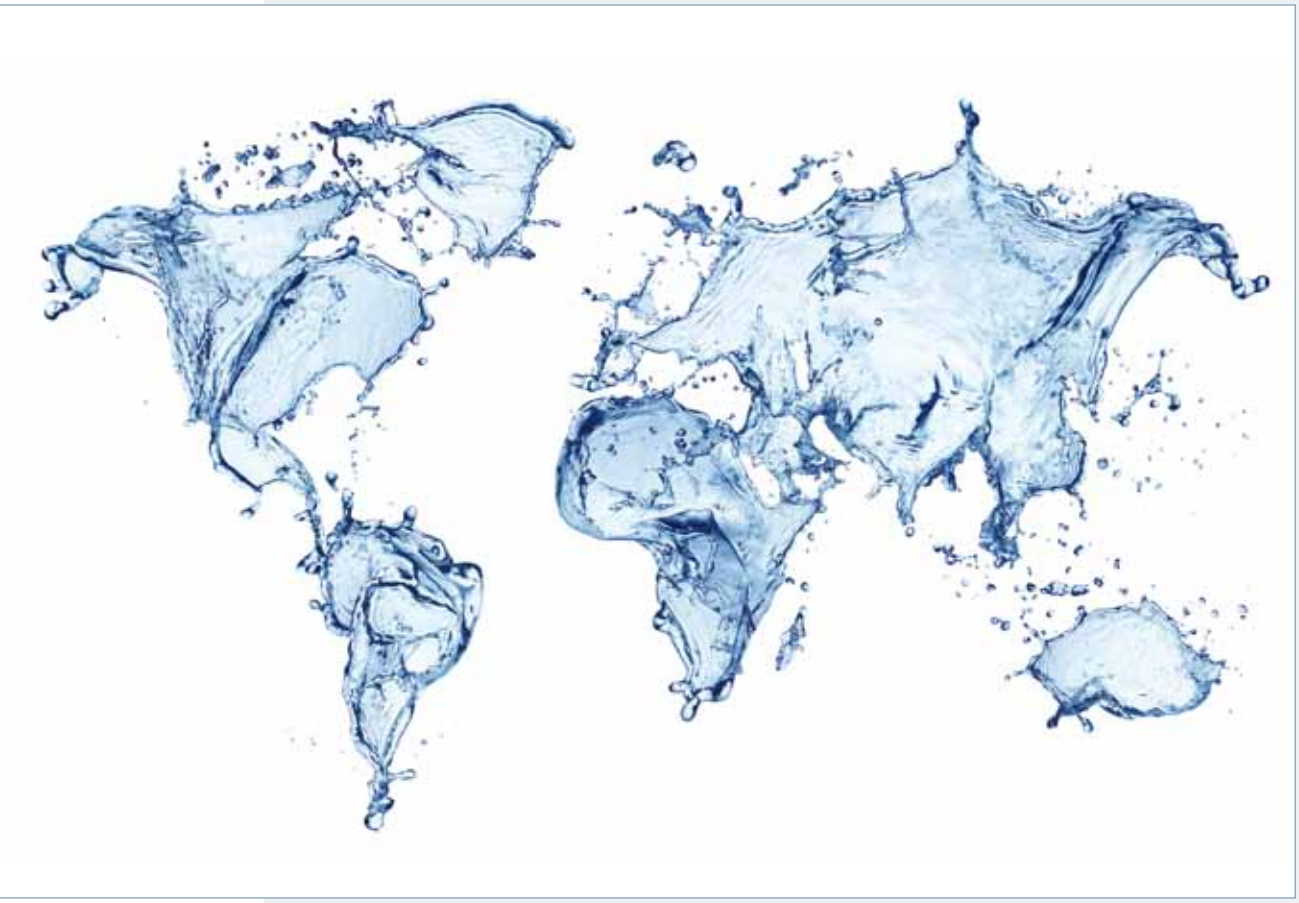
Naturally balanced water – only from BWT.

The BWT bestmax BALANCE uses the zero concept to produce pure, natural, best-quality water free from additives such as sodium, potassium and phosphates and - unlike all the other filters on the market - even silver-free. It also has a stable, high pH value - a vital requirement to achieve best quality of hot drinks from a sensory point of view. The aromas, e.g. of coffee, are enhanced to bring out the full, balanced flavours with the acids and bitter substances in a harmonious balance.

The BWT bestmax BALANCE therefore creates the conditions for best water quality and natural, pure enjoyment of the full taste and aroma of coffee anytime, anywhere.

BWT bestmax BALANCE

Highlights 2014



- Ongoing brand launch and implementation of the BWT Consumer Strategy
- Finishing of the investment programme, which was started in 2011
- Innovations in water technology
- Revenues € 505.3 million, EBIT € 25.8 million, net result € 10.5 million
- Healthy balance sheet: equity ratio 41.9%, gearing 8.7%

BWT Value Strategy

VISION
BWT – The Leading International Water Technology Group

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

FINANCING OF GROWTH
Long-term from organic cash flow

Management Report 2014

ECONOMIC ENVIRONMENT

Although the decline in economic performance in the euro zone was brought to a halt in 2014, economic recovery was weak at an estimated 0.8%. Germany posted solid growth of 1.5% (previous year: 0.4%). Switzerland likewise achieved positive growth of 1.9% (2013: 1.9%). With weak growth of 0.2% (2013: 0.3%), Austria was ranked last in terms of growth in the Germany/Austria/Switzerland region. Likewise, economic performance saw only slight improvement in France at 0.4% (previous year: 0.2%). Positive trends were observed in Southern Europe, with Spain emerging from the recession with growth of 1.4% (previous year: -1.2%). Italy did not quite achieve this with growth of -0.3% (previous year: -1.7%).

Strong stimuli for the global economy continued to emanate from the USA, which registered growth of 2.4% (previous year: 1.7%). By contrast, with growth of 7.3% (previous year: 7.7%), China posted its lowest economic growth since the early 1990s. Present estimates do not forecast any recovery of the current weak economic performance in the euro zone for 2015. Growth is expected to be in line with the level of 2014, hence significantly lower than in the USA.

GDP Growth in %	2013	2014*	2015*
Austria	0.3	0.2	0.7
Germany	0.4	1.5	1.1
France	0.2	0.4	0.5
Italy	–1.7	–0.3	0.1
Spain	–1.2	1.4	2.3
Switzerland	1.9	1.9	1.3
Euro zone	–0.4	0.8	0.8
USA	1.7	2.4	2.9
Japan	1.9	0.3	1.0
Russia	1.4	0.6	–3.7
China	7.7	7.3	6.5

Inflation in %	2013	2014*	2015*
Austria	2.0	1.6	1.3
Germany	1.5	0.9	0.7
France	0.9	0.5	–0.1
Italy	1.3	0.2	–0.4
Spain	1.5	–0.1	–0.7
Switzerland	–0.2	0.0	–1.5
Euro zone	1.4	0.4	–0.1
USA	1.5	1.6	0.2
Japan	0.2	2.7	0.7
Russia	6.7	7.8	11.3
China	2.5	2.3	2.0

**) Estimated or preliminary figures; source: Commerzbank, January 2015; Bank Austria, December 2014*

The rise in consumer prices continued to slow in Europe. In the euro zone, inflation came to 0.4% in 2014 after 1.4% in the previous year. Germany saw inflation of 0.9% (2013: 1.5%) and Austria 1.6% (2013: 2.0%). According to forecasts, there is a risk of deflation for the euro zone for 2015 as a whole.

According to current estimates from Eurostat, the rate of unemployment in the European Union (EU) fell slightly from 10.6% to 10.0% in 2014. The situation is still especially drastic in Spain and Greece, which both have unemployment rates of around 25%. Austria and Germany had the lowest rates in the whole of the EU with 4.9% and 5.0% respectively. Youth unemployment in the EU stood at 21.9%, which is more than double the adult unemployment rate. In Spain and Greece, around half of all young people aged between 15 and 24 were without jobs.

In 2014, the European Central Bank (ECB) lowered the benchmark interest rate in two stages from 0.25% to 0.05%. The ECB is expected to continue its zero interest rate policy for the euro zone for a number of years. At the end of January 2015, the ECB announced its plans to buy government bonds with a volume of over €1 trillion by September 2016 to try to counteract weak economic growth and the risk of deflation. The US Federal Reserve – the Fed – likewise continued its relaxed monetary policy in the reporting year. However, at the end of 2014, the first increase in interest rates in nine years was forecast for mid-2015.

On the foreign exchange markets, the euro depreciated increasingly from the middle of the year onwards. In May, at its annual high, the euro was as high as almost 1.40 EUR/USD. At the end of January 2015, the exchange rate stood at only 1.13 EUR/USD. In January 2015, the Swiss National Bank stunned the markets with its decision to immediately scrap the euro exchange rate ceiling. This immediately sent the franc soaring by almost 20%, before settling at around EUR 1. The Russian rouble depreciated significantly due to the sanctions imposed by the West as a result of the Ukraine crisis. Over the course of the year, the rouble depreciated by over 60% against the euro and by over 80% against the US dollar. The drop in the price of oil exacerbated the rouble crisis.

On the commodity markets, the second half of the year was dominated by the plummeting crude oil price. Towards the end of the year, the price of Brent oil fell to USD 58 per barrel. This equated to half its high of USD 115, which was recorded in June 2014. At the end of January 2015, the price of oil stood at USD 52 per barrel. Crude oil has not been this cheap since around the time of the financial and economic crisis in 2009. The price of copper declined from the middle of the year onwards, closing the year almost 15% weaker than at the start of the year. At the beginning of January 2015, the price of copper slipped by almost another 10%, plunging to its lowest level since 2009.

INDUSTRY ENVIRONMENT

The industry environment recovered somewhat in 2014. Consumer spending in the euro zone rose by 0.7% year on year, with a moderate increase of 1.1% observed throughout the EU. The European Commission forecast EU-wide growth of 1.7% for the construction industry in 2014, and this value is expected to rise further in 2015. Growth is being driven primarily by the investments that a number of countries are making in modernising their infrastructure.

Calculations by the German Ifo Institute indicate that the sanitary industry performed well in Germany in 2014, with sales revenues increasing by 3.7% to €22.3 billion. The positive development in the sanitary industry is in line with positive development in the German domestic and building technology industry (growth of +2.5% to €52.6 billion). Growth in Germany relates exclusively to increases in domestic business, with foreign business stagnating by contrast.

We estimate the volume of the European market for water treatment systems in the domestic technology sector at approximately €1.6 billion, with annual market growth estimated at between 2% and 4% per year. In contrast to the Point of Entry (PoE) segment, where traditional water treatment is applied to the water pipeline entering a building, the Point of Use (PoU) segment, where water is treated at the tapping point, still has a smaller market volume in Europe, although with higher growth rates. Above-average growth is also likely outside Europe, particularly in emerging-market countries with poor drinking water quality.

COURSE OF BUSINESS IN 2014

The BWT Group again succeeded in surpassing the €500 million revenues threshold in 2014, despite the disposal of non-strategic business segments. At €505.3 million, revenues were down €2.4 million on the previous year (-0.5%). Adjusted for changes to the Group structure, consolidated revenues were up 4.8% on the previous year's level. As expected, the ongoing and substantial expenditure associated with the development of the "BWT – For You and Planet Blue" brand, the measures to establish and expand the Point of Use product segment, which are being implemented at the same time with great vigour, and the costs in connection with the optimisation and streamlining of the Group's locations and product portfolio had a dampening effect on the income situation.

EBITDA improved by 11.6% to €45.7 million, and EBIT increased by 11.5% from €23.1 million to €25.8 million. This was due primarily to an improved gross margin. The Group's consolidated net earnings before minority interests declined on account of a lower financial result and a higher tax rate, amounting to €10.5 million. This is down 2.7% on the previous year's figure of €10.8 million. Cash flow from operating activities rose to €39.5 million (previous year: €31.5 million). This and the reduced capital expenditure meant that the debt ratio (net financial liabilities to equity ratio) improved from 16.2% to 8.7%. The equity ratio was driven down from 47.9% to 41.9% by the higher consolidated balance sheet total resulting from the uptake of a promissory note loan.

The Management Board would like to express its gratitude to all employees of the BWT Group for their efforts in BWT's continuous further development to become the leading international water technology group.

Revenues development

In the 2014 financial year, the BWT Group's consolidated revenues came to €505.3 million, undershooting the previous year's revenues of €507.7 million by €2.4 million, or 0.5%. Changes in the scope of consolidation, primarily due to the disposal of companies and business segments, had a negative impact of over €25 million compared with the previous year. This means that with a comparable Group structure, revenues for 2014 increased by 4.8%.

The individual business segments developed as follows:

Segment revenues (in million €)	2014	2013	+ / – %
Austria / Germany	198.8	210.2	–5.4%
France / Benelux / UK	127.3	126.1	0.9%
Scandinavia	54.4	54.5	–0.2%
Italy / Spain	31.3	31.4	–0.4%
Switzerland / Others	93.5	85.5	9.3%
BWT Group	505.3	507.7	–0.5%

The Austria / Germany segment generated a total €198.8 million in revenues in 2014, which equates to a fall in revenues of -5.4%. The declining revenues are due to the change in the Group structure. In March 2014, a company not directly connected to the core business of the BWT Group was sold and deconsolidated. The municipal plant engineering business in Austria was also sold as part of the strategic reorganisation of the pool business. The swimming pool plant engineering business in Germany and the "Neher" glass shower business were sold in October last year. These developments resulted in a €26.3 million decline in revenues compared with the previous year. Adjusted for these disposals, a rise in revenues of €15.0 million (+8.2%) was achieved, which is mainly attributable to growth in Point of Use products exceeding 30% and double-digit percentage growth in revenues for BWT Germany.

The France / Benelux / UK segment achieved revenues growth of €1.2 million (+0.9%), which can primarily be attributed to the Point of Use business (+10.8%) and the Service business (+4.8%). By contrast, the Commercial/Industrial segment in France saw a considerable drop in revenues.

The Scandinavia segment was impacted by the decline in project-specific plant engineering business. However, this was almost offset by the pleasing revenues development posted in the PoU and Service segments as well as the first-time consolidation of HOH Seychelles. Overall, Scandinavia contributed €54.4 million to the Group's consolidated revenues compared with €54.5 million in the previous year.

The continuing difficult market conditions in Southern Europe resulted in a revenues downturn in the Italy / Spain segment, albeit only a slight downturn that mainly affected the Service and Spare Parts business.

The Switzerland / Others segment continued to benefit from the revenues development in Switzerland in particular but also in Russia. The revenues growth of 9.3% to €93.5 million is predominantly the result of increases in both the Pharma and the Service business.

The BWT Group generated 93.9% of its consolidated revenues in Europe (previous year: 92.9%), and 3.7% in Asia (previous year: 4.3%). The rest of the world contributed 2.4% to the Group's consolidated revenues compared with 2.8% in the previous year. In the 2014 financial year, the BWT Group generated revenues of €31.7 million in Eastern European countries, compared with €24.9 million in the previous year.

Overall, revenues generated by Point of Entry products fell by 4.1% from €351.9 million in the previous year to €337.5 million. This was mainly due to the strategic measures. This product segment thus accounted for 66.8% of the BWT Group's consolidated revenues (previous year: 69.3%). The Point of Use business continued to achieve strong growth rates. At €57.6 million, the previous year's revenues were exceeded by 17.3%, increasing the percentage of total revenues to 11.4% (previous year: 9.7%). The BWT Group generated €110.2 million in revenues in the Service and Spare Parts business in 2014, surpassing the previous year's figure of €106.7 million by 3.3%. This business accounted for 21.8% of the Group's consolidated revenues (previous year: 21.0%).

As at 31 December 2014, the BWT Group had an order backlog of €65.4 million compared with €70.2 million for the same period of the previous year. The decrease of €4.8 million, or -6.8%, is mainly attributable to the project-specific plant engineering business.

Earnings development

The operating result improved year on year despite further increased expenditure related to the development of the "BWT" brand in 2014 and the extensive measures intended to develop and expand the Point of Use product segment. EBITDA rose by 11.6% to €45.7 million and EBIT by 11.5% from €23.1 million to €25.8 million. The Group's consolidated net earnings before minority interests fell by 2.7% to €10.5 million. This was on account of the financial result being impaired by one-off costs resulting from the company disposals made in the past two years as well as the higher income tax rate. Earnings per share declined from €0.64 in the previous year to €0.61.

Other operating income climbed from €6.0 million to €9.8 million (+65.1%). This was mainly due to increased income from asset disposals, which moved from €0.3 million to €2.3 million, and payments received.

At €0.4 million, capitalised labour, overheads and material were down slightly on the previous year's figure of €0.5 million. This item predominantly consists of development costs to be capitalised.

The cost of materials, including changes in inventories, in relation to revenues decreased year on year from 39.3% to 38.5%. The streamlining of the product portfolio in particular had a positive impact in this respect.

Personnel expenses decreased from €167.4 million to €165.0 million (-1.4%), which was primarily the result of changes in the Group structure.

Despite the company disposals, other operating expenses rose by 3.8% from €106.5 million in the previous year to €110.6 million. This is mainly attributable to increased advertising expenditure (€+3.0 million), commissions (€+0.5 million) and events causing damage (€+1.0 million). Considerable savings

were made in freight costs and vehicle expenditure. The decline in risks on receivables is also the result of the first-time addition of a portfolio-based allowance for impairment losses on receivables in the previous year.

EBITDA (earnings before interest, taxes, depreciation and amortisation) improved by 11.6% from €41.0 million to €45.7 million on account of the aforementioned effects.

In 2014, depreciation and amortisation increased by 11.8% from €17.8 million to €19.9 million. In 2014, patents and licenses amounting to €1.4 million were additionally written down, whereas in the previous year total impairment of €1.9 million was taken on intangible rights. Goodwill was impaired by €2.6 million in 2014 compared with €1.4 million in the previous year. Furthermore, there was additional depreciation and amortisation on property, plant and equipment due to impairment of €0.5 million. Normal depreciation and amortisation increased by €0.9 million compared with 2013 due to the new plants in Mondsee and Bietigheim-Bissingen going into operation.

EBIT increased by 11.5% from €23.1 million to €25.8 million. The EBIT margin moved up from 4.6% to 5.1% of revenues.

The BWT Group's financial result deteriorated year on year from €-5.0 million to €-6.7 million. Financial income declined by €0.5 million owing to the reduced dividend payments of investees. Financial expenses rose by €1.2 million to €7.6 million. The additional costs resulted primarily from the deconsolidation performed in 2014 and the reassessment of liabilities from company disposals in the previous year.

Despite the lower financial result, earnings before taxes rose by 5.4% from €18.1 million to €19.1 million. The Group tax rate increased from 40.4% to 45.0%, with the BWT Group's annual earnings before minority interests declining by -2.7% from €10.8 million to €10.5 million. The rise in the tax rate is primarily attributable to the measurement of deferred tax assets.

Consolidated earnings after taxes amounted to €10.5 million, down 2.7% on the previous year (€10.8 million). Return on revenues came to 2.1% as in the previous year. The share in earnings of minority shareholders amounted to €+0.4 million (previous year: €+0.1 million) so that at €10.2 million the BWT Group's consolidated net earnings after minority interests were down 5.5% on the previous year's figure of €10.7 million.

No treasury shares were purchased in 2014. The average number of outstanding shares decreased from 16,760,455 to 16,760,082. Earnings per share were €0.61 compared with €0.64 in the previous year (-5.5%).

The planned further investment in developing the "BWT" brand as well as the Group's decreased consolidated net earnings prompted the Management Board to submit a proposal for a dividend payment of €0.10 per share at the next Annual General Meeting.

Segment earnings

EBITDA (earnings from operating activities before depreciation and amortisation) in the individual business segments were as follows compared with the previous year:

Segment EBITDA (in million €)	2014	2013	+ / – %
Austria / Germany	12.6	11.5	9.6%
France / Benelux / UK	7.7	6.2	23.7%
Scandinavia	10.1	8.2	24.5%
Italy / Spain	1.4	2.1	–35.4%
Switzerland / Others	13.9	13.0	7.2%
BWT Group	45.7	41.0	11.6%

Deducting depreciation, amortisation and impairment gives the following EBIT:

Segment EBIT (in million €)	2014	2013	+ / – %
Austria / Germany	1.2	3.3	–61.5%
France / Benelux / UK	2.7	2.0	32.1%
Scandinavia	9.6	6.5	46.2%
Italy / Spain	1.3	2.0	–37.4%
Switzerland / Others	11.0	9.3	18.7%
BWT Group	25.8	23.1	11.5%

In the Austria / Germany segment, the successful implementation of the "pearl water strategy", the E1 single-lever filter and the environmentally friendly "AQA therm" heating protection range all had a positive impact on EBITDA. EBIT was negatively impacted by the higher level of depreciation and amortisation as a result of the recent capital expenditure and the additional impairment of intangible assets.

The France / Benelux / UK segment saw EBIT rise from €2.0 million to €2.7 million. Despite goodwill impairment of €2.5 million (previous year: €0.4 million), EBIT was driven up by positive earnings development in Belgium and the UK and the absence of impairment of intangible assets, which had been taken in the previous year.

In the Scandinavia segment, EBIT climbed by 46.2% from €6.5 million in 2013 to €9.6 million. This was due to the absence of impairment of €1.0 million for the HOH brand, which had been taken in the previous year. Pleasing improvements in earnings were also achieved in Denmark and in Norway and by the Swedish company specialised in pharmaceutical water treatment.

The earnings situation in the Italy / Spain segment deteriorated further, with EBIT falling by 37.4% from €2.0 million to €1.3 million.

The Switzerland / Others segment again achieved increased earnings in 2014. They moved up by 18.7% to €11.0 million. The Swiss subsidiary posted particularly remarkable growth owing to its focus on the Service business and achievements in the Pharma business. The segment's EBIT also benefited from the absence of goodwill impairment of €1.0 million.

Development of the financial position

The net assets and financial position of the BWT Group remained just as strong at the end of the 2014 financial year, despite the continued exceptionally high level of investment in the past financial year.

Cash flow from operating activities rose by 25.4% from €31.5 million in the previous year to €39.5 million. Cash flow from earnings remained virtually the same, with any improvement coming mainly from optimised working capital.

Cash flow from investing activities improved from €-32.8 million in the previous year to €-17.6 million. The company spent €25.4 million on investments in intangible assets and property, plant and equipment (previous year: €34.7 million). The expansion of production and logistics capacities for the Point of Use segment at the main site in Mondsee, Austria, and the new plant for membrane production of Fumatech GmbH in Bietigheim-Bissingen, Germany, were mostly completed. In addition, cash flow from investing activities was also positively impacted by the disposal of fixed assets retired from active use, from which a cash inflow of €5.3 million was generated (previous year: €0.9 million).

Cash flow from financing activities went from €-1.8 million in the previous year to €+34.5 million in 2014. A significant part of this increase is related to the uptake of a promissory note loan of €50 million. While dividend payments of €4.7 million remained at the previous year's level, €7.6 million was spent on the redemption of financial debt. In the previous year, this figure was €8.1 million. A total €0.8 million was spent on the acquisition of shares from minority shareholders.

As at 31 December 2014, the BWT Group had a net debt of €14.9 million compared with €27.9 million in the previous year. The reduction is due, on the one hand, to lower capital expenditure and, on the other hand, to improved operating cash flow. Gearing (the net debt to equity ratio) dropped from 16.2% to 8.7%, while net current assets decreased from €56.6 million to €48.2 million, amounting to 9.5% of revenues (previous year: 11.2%).

The consolidated balance sheet total of the BWT Group rose by 13.3% year on year from €360.1 million as at the end of 2013 to €408.0 million. This item was impacted by the uptake of the promissory note loan and the cash made available as a result. Group equity decreased by 1.0% from €172.6 million to €170.9 million. The equity ratio declined from 47.9% to 41.9% on account of the higher consolidated balance sheet total. Under IFRS provisions, the share buy-backs of €19.4 million (previous year: €19.4 million) are shown as a deduction under equity. Actuarial calculations of social capital pursuant to IAS 19 also had a negative impact on equity. The changed actuarial discount rates on account of the market situation negatively impacted equity by €6.8 million.

Return on capital employed improved to 7.3% in 2014 against the previous year's figure of 7.0%. Return on equity went down slightly from 6.3% to 6.1%.

Employees

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

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

As at 31 December 2014, the BWT Group employed a total workforce based on FTE (full-time equivalents) of 2,587 people (previous year: 2,643 people). The decrease can be attributed primarily to company disposals.

1,014 people are employed in the Austria / Germany segment (previous year: 1,088), 780 people in the France / Benelux / UK segment (previous year: 787), 219 people in the Scandinavia segment (previous year: 216), 92 people in the Italy / Spain segment (previous year: 94), and 482 people in the Switzerland / Others segment (previous year: 458).

As is the case every year, there were no strikes or labour disputes in 2014 either. Social benefits vary from company to company and include well-equipped workplaces, canteens, various company events, personal insurance benefits, free drinks at the workplace and similar schemes. There is no stock option programme at BWT. Management, field staff and other key employees participate in various profit share and bonus schemes, which vary locally.

Personnel management tasks are carried out by local companies, in line with the decentralised structure, while strategic human resources tasks are the direct responsibility of the CEO. The company spent a total of €833 thousand (previous year: €775 thousand) on training.

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

Sustainability (corporate social responsibility)

BWT has firmly anchored sustainability in the corporate strategy with the three key areas of economic, environmental and social sustainability. The managements of the Group companies in the particular functional responsibilities and the Management Board are chiefly responsible for its implementation. The coordinating body of CSR is the Investor Relations department, which is responsible for data collection (CSR controlling) and data handling. In this regard, BWT bases its actions on the international guidelines of the Global Reporting Initiative (GRI), which have been incorporated in the present Reporting and Controlling Management System. Current certificates, standards and management systems (e.g. ISO 9001 and ISO 14001) are major points of reference. Further measures include further developing CSR indicators, stepping up the dialogue with stakeholders and defining CSR area objectives. The most important sustainability strategies throughout the Group include the optimisation of production processes and the implementation of the BWT brand and product development strategy, whereby sustainable aspects throughout the entire product lifecycle and beyond are already taken into account in the development process. People's safety, hygiene and health in their daily contact with water are a constant focus of the company's activities. Recording of important basic data on the Group companies was continued in the 2014 financial year.

Research & development

"Growth through innovation" is anchored in the BWT Group's mission statement as one of the fundamental pillars of its corporate strategy. BWT is an innovative Group that operates research facilities in Austria, Germany, France, Switzerland and Italy. These facilities are coordinated by the Group's parent company, BWT AG. In 2014, the Group spent €9.7 million on its diverse research and development activities (previous year: €8.2 million). BWT is active in all areas of water treatment and is constantly developing new processes and devices to produce optimal water for every application. Europe's No. 1 water technology company thus offers a range of solutions for drinking water and swimming pool water in addition to process water and pharmaceutical water.

The "Osmo Vision" process was further enhanced in the Pharma & Biotech segment. The total water yield of Osmo Vision is now > 85%. The new Osmo Vision process can also be used for chlorine concentrations in untreated water of up to 2 ppm. Osmo Vision is a cold process with internal in situ disinfection, which produces 24/7 process water in PW (purified water) and HPW (highly purified water) quality round the clock. Production does not need to be interrupted for sanitisation.

The newly developed UV medium pressure lamp range, the "MQ Series", is being used in both the Pharma and the Swimming Pool segment to degrade both bonded and free chlorine.

The new filter cartridge range, "Bestmax Balance", was introduced in the Point of Use product segment, and is being used to prepare virtually neutral drinking water – the first of its kind to contain no traces of silver, sodium or potassium – for the vending industry and for coffee machines.

Employees working in BWT's development departments endeavour to produce new products and processes – and develop existing ones – with a special focus on conservation of resources, quality, functionality and safety.

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

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

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

The uniform monthly reporting process, which is governed by the Accounting Handbook and applied Group-wide, together with the reporting software used to record and analyse data, ensures regular checks of the assets development and earnings performance of the individual Group companies. Standard reports and ad hoc evaluations allow for quick analysis of any deviation from budgeted values and values from the previous year. The information is then grouped together by the Group Finance and Group Business Analysis departments and is regularly brought to the attention of the Management Board. In the 2014 financial year, the Group-wide data warehouse "SMART" was again promoted in particular in this area to provide key detailed data on developments in revenues and margins for products, customers, purchasing and inventory information. The settlement of longer-term construction contracts is subject to a Group-wide project controlling process. Information gathered on an ongoing basis by the treasury system (e.g. automatic reading of bank account statements) allows for a weekly bank account status update and monitoring of credit lines, bank signature authorisations and current liabilities. Furthermore, intra-group payments are monitored by a netting system and intercompany balances are regularly recorded and adjusted.

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

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

In the course of the annual reporting process for 2014, the key internal control processes of the individual Group companies were again queried in a "Minimum Control Report". The effectiveness and regularity of the processes were confirmed in writing by the local chief financial officers and general managers.

Risk management

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

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

The BWT Group's risk management system is based on a Group-wide risk management policy. The risk management process is supported by web-based reporting software. Quarterly reporting is designed to enable early identification of existing and potential risks. In this way, risks are periodically identified in a structured process. Risks are evaluated and regulated, taking into account both qualitative and

quantitative features, according to their impact on the individual subsidiaries and the probability of them occurring. When risks are identified together with relevant countermeasures, responsibilities are defined and material risks are catalogued by the Risk Management department and reported to the Management Board. The Supervisory Board also receives a summary report at its regular meetings. In keeping with the decentralised organisational structure of the BWT Group, the competent local managers are responsible for implementing and supervising the risk management system.

Material risks

The main types of risk that could adversely affect the BWT Group's assets, financial position and earnings remain essentially unchanged compared with prior periods as follows:

Development risk

As a leader in technology, we are regularly developing new products and processes that are based on basic research and new methods, which in some cases can only be implemented and manufactured with the use of complex, newly developed and expensive production technologies. Despite extensive testing, malfunctions cannot be ruled out and it may be that investments prove not to be worthwhile. Besides the loss of investments made, existing customers and potential compensation claims, this could also affect the reliability rating of the BWT Group's products and services and lead to a decline in demand in the business area concerned.

Risk when acquiring and establishing new companies

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

Personnel risk

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

Liquidity risk/financing risk

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

The BWT Group has access to sufficient bank credit lines. Due to the BWT Group's good credit standing and its continued low level of net debt despite the ongoing investment programme, at present we consider the current economic conditions to have no direct impact on its access to credit lines. In 2014, the BWT Group also secured longer-term financing by reorganising the financing structure as part of the uptake of promissory note loans.

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

Currency risk
BWT partly finances its operating resources, investments and possible expansion in foreign currencies. This is directly related to the international character of its operations. Covering transactions are carried out in the Group's central treasury for cash flows in foreign currencies and these reduce the negative effects of exchange rate fluctuations. Necessary interest and currency hedging (e.g. by means of derivatives) from the operating activities in the BWT Group are carried out and overseen at Group level.

Default/solvency risk
BWT's business activities are exposed to a risk that customers will not be able to fulfil, partially or completely, their payment obligations to the BWT Group. In line with standard market practices and after weighing up the costs and benefits, the BWT Group attempts to reduce this risk by, for example, obtaining payment guarantees from banks and export credit agencies. In addition, whenever necessary, the Company covers risks in the Project business with international credit insurers. The management ensures that BWT Group companies obtain information about the credit standing of customers before signing agreements with them, for example by obtaining company information from reputable agencies. However, with a more difficult environment in individual countries, despite careful examination, increasing defaults of accounts receivable are to be expected. As in the previous year, this was taken into account through the recognition of a portfolio-based allowance for impairment losses on receivables.

IT risk
Many Company operations are supported by the use of IT systems (hardware and software). Management decisions are dependent on information that is produced by these systems. The malfunction of IT systems presents a risk that is to be minimised as much as possible by complying with provisions for data and infrastructure protection, outlined in the IT Guidelines.

Overall risk
Risks posing a threat to the BWT Group are monitored to the best possible standards by the resources and measures described above. BWT does not currently envisage any risks that could endanger the Company's continued existence.

Information under Section 243a of the Austrian Commercial Code
BWT's share capital consists of 17,833,500 no-par value shares (previous year: 17,833,500), each of which represents an equal share in the share capital.

The Management Board does not know of any restrictions relating to voting rights or to the transfer of shares.

WAB Privatstiftung, a private trust within the meaning of the Takeover Act (ÜbG) that is controlled by Andreas Weißenbacher, the longstanding CEO of BWT AG, and its subsidiary FIBA Beteiligungs- und Anlage GmbH and Mr Andreas Weißenbacher together hold 14,205,880 shares as at 31 December 2014. This equates to 79.7% of BWT AG's total share capital. Around 14.3% of the share capital is in the free float. The remaining 6.0% are BWT AG treasury shares. As at 31 December 2014, BWT AG had purchased a total of 1,073,418 company shares in the course of its share buy-back programme. The free float is held by Austrian and international investors. BWT's shares are listed on the Standard Market Auction of the Vienna Stock Exchange under International Security Identification No. AT0000737705. In the USA, BWT's shares were traded on the OTC market via a Sponsored Level 1 ADR Programme operated by the Bank of New York, which ended on 30 April 2014.

There are no known substantial blocks of shares held by employees of the BWT Group. Like any other shareholder, employees holding shares are free to exercise their voting rights at the Annual General Meeting.

There are no regulations regarding the appointment and recall of members of the Management Board and the Supervisory Board or amendments to the Company's statute that are not derived directly from the law.

Based on the statute of BWT Aktiengesellschaft, the Annual General Meeting resolution dated 23 May 2013 authorises the Management Board to increase the Company's share capital by up to a further €8,916,500.00 to €26,750,000.00 by 22 May 2018. This is to be achieved by issuing new shares.

Resolutions of the Annual General Meetings held on 24 May 2007, 20 May 2008, 26 May 2010, 24 May 2012 and 19 May 2014 authorised the Management Board to buy back and (with the approval of the Supervisory Board) resell the Company's own shares by other means than via the stock exchange or through a public offering, and also disapplying existing shareholders' subscription rights. In 2013, the Management Board exercised the buy-back authorisation and, in the course of the year, acquired a further 520 treasury shares (the last acquisition to date was on 20 September 2013). Together with the 1,072,898 shares it purchased in previous years, BWT AG therefore held a total of 1,073,418 treasury shares as at the balance sheet date of 31 December 2014. To the end of the year, the market value of treasury shares amounted to €18.3 million. The full cost of the acquisition amounting to €19.4 million (previous year: €19.4 million) was recorded in the consolidated balance sheet as a deduction from equity, as required under IFRS provisions.

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

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

Information and publications on the BWT Group are also accessible on the website at www.bwt-group.com.

Outlook

The BWT Group's healthy balance sheet structure with low debt leverage and high level of capital, its considerable internal financing strength and, in particular, its technological leadership in the water treatment business with a range of unique products and processes form a basis for the continued positive development of BWT Aktiengesellschaft and its subsidiaries in the global water treatment market.

The BWT Group's extensive programme of investment, which was started in 2011, was completed in the 2014 financial year. As such, investments in property, plant and equipment will return to a normal level in 2015. On the other hand, efforts in connection with the development of the "BWT" brand with the brand message "For You and Planet Blue" as the leading water brand will be stepped up in 2015. The expected increases in revenues and margins will be reinvested in higher advertising and development budgets. Only moderate improvements in earnings are expected Group-wide in the short term.

In January 2015, a framework agreement was signed on the acquisition by BWT of a majority interest in the Mettem Technologies Group, Russia. BWT will use this acquisition to further consolidate its presence in the Point of Use Consumer business. This move is also expected to drive forward the internationalisation of BWT – including in Asian markets within the Point of Use segment. It is also anticipated that new market opportunities will be opened up for BWT magnesium technology.

No other reportable events occurred after the balance sheet date.

Mondsee, 19 February 2015

The Management Board

Andreas Weissenbacher

Gerhard Speigner


TUDelft
Huisman
fumatech by
BWT
EY
Building a better working world
bürkert
Fronia

BWT WATER IS ...

a force of nature

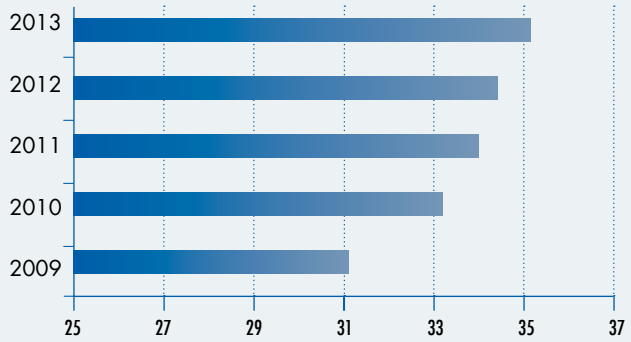
Humans understood the power of water long before they used fossil fuels. Streams drive mill wheels and turbines to generate electricity, and in the 21st century the elements of water, hydrogen and oxygen are used to produce an environmentally-friendly source of energy in the form of fuel cells. BWT has been a leader in the development and production of membranes for PEM fuel cells for over two decades, and the BWT FUMATECH for example has developed a fuel cell system with a high-performance membrane to drive the hydrogen-powered FORZE VI, the “FORMULA ZERO” racing car with zero emissions.

Clean energy –
Battery and fuel cell membrane technologies from BWT

Fossil fuels, such as coal, petroleum and natural gas, are finite on our planet. At the same time, the negative effects of fossil fuels are becoming clearer and clearer. Climate change with all its consequences, such as global warming, melting glaciers, natural catastrophes and water shortages, is progressing rapidly.

Climate change is mainly caused by greenhouse gases, especially carbon dioxide (CO_2). Around 35 billion tonnes of CO_2 emissions are released annually, and this number is growing. By far, the largest environmental sinners are the industrialised countries. China and the USA led in terms of CO_2 emissions worldwide in 2014 with 23% and 15% respectively. The main source of carbon dioxide emissions continues to be the burning of fossil fuels, which still have the largest share in the energy mix worldwide with approximately 80%.

Worldwide CO_2 emissions in billions of tonnes.



Source: IWR – German Institute of the Renewable Energy Industry

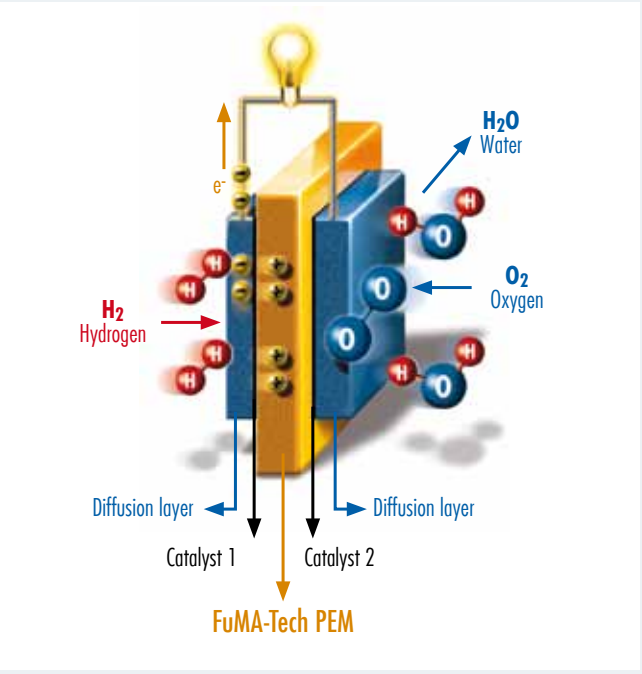
The International Energy Agency (IEA) estimates that the primary energy requirement will rise by 37% by 2040. At the same time, it is assumed that the share of renewable energies in the energy mix worldwide will rise rapidly as a consequence of new technologies and subsidies. However, IEA assumes that annual worldwide emissions of CO_2 will rise by a fifth by 2040. This forecast stands in contrast to the two-degree goal agreed upon in the United Nations Framework Convention on Climate Change that is to limit global warming to less than two degrees Celsius as compared to the level before industrialisation began.

Hydrogen: the energy source of the future

The fuel cell, allied with renewables, is the key to combating climate change. Fuel cell technology is the optimum option in this regard. It can be used for the stationary generation of power and heat in residential housing, in mobile applications for cars, buses and ships, and even as a provider of electricity for portable electronic devices. The fact that hydrogen contains more than three times the energy of any environmentally harmful fossil fuels such a coal, natural gas and petroleum makes it a perfect source of energy and a highly efficient energy converter. No greenhouse gases, which are harmful to the environment, are released using the "cold combustion" (see graphic below) method of generating electricity. The waste product is simply water. Fuel cell technologies also open up new possibilities with regard to energy storage. Hydrogen can be converted into methane and thus into natural gas (power-to-gas) using methanation, that is bonding with CO_2.

Forms and applications – PEM cells dominate the market

There are two basic types of fuel cells: low-temperature fuel cells (PEMFC – proton exchange membrane fuel cell, DMFC – direct-methanol fuel cell) and high-temperature fuel cells (MCFC – molten carbonate fuel cell, SOFC – solid oxide fuel cell). The most important cell type from a commercial point of view is the PEM cell, which accounted for around 93% of deliveries in 2014. The PEM cell is a low-temperature fuel cell with operating temperatures of 70°C to 170°C. This places less exacting demands on the material of the cell and stack components, which in turn leads to lower material costs. However, a potential disadvantage compared with high-temperature fuel cells is that the gas purity of the fuel needs to be higher. But for the majority of current commercial applications of the PEMFC, which involve the use of pure hydrogen, this is not an issue – which accounts for the higher level of commercialization. While PEM fuel cells are increasingly being used in the small-capacity range for numerous mobile applications and reaching a wide range of niche markets as a result, the focus of MCFC and SOFC is on applications in small power stations.



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

Market trends in 2014

With its wide range of applications, fuel cell technology has the potential to become the most important energy system in the future. Current market figures for fuel cells are highly promising. According to estimations from industry insider E4tech, 70,200 fuel cell units were sold in 2014, a slight increase of 5.1% in comparison to the previous year. This means the quantity of units sold annually has increased four times over what it was in 2010. The entire electrical output of the units sold in 2014 amounted to an estimated 176 MW. The majority of this stems from stationary applications with 147.3 MW with 45,600 units, mobile applications accounted for a share of 28.3 MW with 2,900 units, and portable applications provided 0.5 MW with 21,800 units. In terms of regions, Asia was the leader in the use of fuel cell technologies in 2014 with an estimated 45,200 units (64%) and 112.4 MW of electrical output, followed by North America with 17,100 units (24%) and Europe with 6,100 units (9%). For 2015, positive effects are expected for the industry due to the series production of vehicles powered by fuel cells.

Stationary applications

In terms of quantity and output, stationary applications are the most important area of the market. The typical output ranges from 0.5 to 400 kW. Typical areas of application are large-scale units in the megawatt range for primary energy generation, combined heat and power generation systems for large plants and for homes, and backup and standby systems such as for telecommunications and key infrastructural facilities. Asia is the regional leader in stationary systems. As part of the government-supported "Ene-Farm project" in Japan, which went commercial at the end of 2009, over 100,000 systems have already been installed for private households. In Korea, the largest fuel cell park so far was opened in 2014 with an output of 59 MW.

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

Mobile applications

Mobile applications in the typical output range from 1 kW to 100 kW include primarily vehicles for use on the road such as cars (FCEV – full cell electric vehicles), buses or lorries. Road traffic is responsible for a significant share of CO_2 emissions worldwide. In order to reach the political CO_2 goals, emissions in road traffic must be lowered considerably. Biofuels only have limited potential to meet these requirements, which makes a significant breakthrough for electric cars essential. With fuel cell technologies, no gases are released that are harmful to the environment, but only water. Advantages over electric cars include the wider range of many hundreds of kilometres and the short time required to refuel. Hyundai and Toyota established a milestone when they introduced the first vehicles produced in series with fuel cells. Further well-known manufacturers, such as Honda and Daimler, are planning to follow in the coming years.

The creation of a comprehensive supply network is crucial to the success of fuel cells in private transport. As part of the "Initiative H2 Mobility", it is planned to provide approximately 400 public hydrogen fuelling stations in Germany alone by 2023 with a total investment of around EUR 350 million. The aim is to establish a hydrogen supply that is suitable for everyday use and to ensure the supply of hydrogen for vehicles powered by fuel cells in a manner that meets the requirements for not only urban centres and main traffic routes but also rural areas. This will make vehicles with fuel cell technologies interesting for the mainstream. This trend has a positive effect not only for the environment but also for human health: With vehicles powered by fuel cells, there is a reduction in noise pollution, and there are no local emissions of pollutants such as carbon monoxide, hydrocarbons, nitrogen oxides or fine particulate matter.

Portable applications

Typical output ranges for portable applications are from 1 W to 20 kW. Typical application areas range from chargers (such as for mobile phones, music players or notebooks) to portable power generators for leisure applications (such as camping). Mobile power generation in the consumer sector, especially as chargers for smartphones, offers a large market potential for fuel cell technologies even though competition on the market is fierce. In 2014, the area of portable applications experienced disproportionally positive growth and saw an increase of almost 70% over the previous year.

Membrane technology at BWT

Membrane technologies have a special significance in the BWT Group since they are used not only in water treatment but also in energy generation and storage applications. BWT provides innovative solutions for the future for both the supply of hygienically clean water for all conceivable areas of life and the sustainable production of energy.

Innovative membranes of FuMA-Tech are the central component of the PEM fuel cell

FuMA-Tech is a technological pioneer in the production of ion exchange membranes. It possesses extensive expertise in areas ranging from the synthesis of raw materials and consumables and the processing of these materials to create membranes to their technical application. As a supplier of innovative membranes as the central component of a membrane electrode assembly, the heart of the PEM fuel cell, FuMA-Tech has made a name for itself on the fuel cell market worldwide.

New applications can be found in the market for renewable energy storage, e.g. in large-scale electrochemical storage devices such as vanadium redox batteries, and in the production and storage of hydrogen as well as carbon dioxide separation for the new concepts of methanation in the area power-to-gas. The storage of energy, for example in the form of hydrogen through the electrolysis of water, represents a highly promising solution to one of the biggest challenges of the energy revolution. This hydrogen could then be admixed to natural gas for calorific value conditioning. According to the DVGW -G 260 worksheet “Gas Quality”, the admixture of 5% by volume of hydrogen to natural gas is currently permitted in Germany.

FuMA-Tech products

As a producer of polymers and membranes, FuMA-Tech can offer tested products for many energy conversion and storage variants. Both perfluorosulfonic acid and non-fluorinated hydrocarbon membranes are used in various fuel cells. Chemically stable anion exchange membranes are produced specifically for redox batteries but also find application in platinum-free fuel cells and alkaline water electrolysis.

Membrane type	Operating temperature	Product	Energy carrier	Applications
Low temperature (Type 1)	up to 85°C	fumapem® F,	H_2	stationary, portable
Medium temperature (Type 2)	up to 120°C	fumapem® FS	H_2	stationary, mobile
High temperature (Type 3)	up to 170°C	fumapem® AM	H_2, reformate	mobile, stationary
Direct methanol fuel cell (Type 4)	up to 70°C	fumapem® S	CH_3OH	portable
Battery separators	up to 45°C	fumasep® FAP	Vanadium	stationary
PEM water electrolysis	up to 80°C	fumea® EF	Water	stationary, mobile
Alkaline water electrolysis	up to 130 °C	fumasep®t FAA	Water	stationary

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

FuMA-Tech in 2014

New location

BWT FuMA-Tech has invested around EUR 20 million in its new Bietigheim-Bissingen site in Germany, thereby laying the foundations for a new phase of growth. In addition to new R&D and laboratory capacity, the production facilities are also being expanded and a new production standard is being set. Since 2014, around 100 employees have been working at the new BWT site.

Research partnerships continued

To ensure the sustainability of work at FuMA-Tech and secure a stable market position in the long term, the current development projects and research partnerships established in 2014 are being continued. RWTH Aachen and the Jülich research centre a will continue to act as key research and development partners. In addition, a bilateral partnership with the HySA research centres of the Department of Science and Technology of the Republic of South Africa is supported in the field of fuel cells and water electrolysis.

Current research and development work encompasses systems designed to save, convert and store energy.

In the area of energy saving, the focus of research is on low-energy membrane processes for treating and disinfecting water. Energy-saving measures in small-scale consumption systems include, for example, the recovery of latent heat from waste air flows from low-energy houses using enthalpy exchangers.

In the area of energy conversion, an international consortium is developing new materials and membrane electrode units for automotive application of fuel cells at higher temperatures and unmoistened operation. Alongside this, the "Integrated Salinity Gradient Power Initiative" is looking into the recovery of energy from salty water such as seawater.

However, the biggest research and development efforts are currently being made in the field of energy storage. For example, membranes and membrane electrode units are being developed for PEM electrolysis and alkaline electrolysis for recovering hydrogen. This hydrogen can be fed to a methanation system with carbon dioxide, supplied directly to the natural gas grid to increase the calorific value and used ideally in decentralised systems as a direct energy source for electromobility solutions. In addition to chemical energy storage, the even more efficient storage of energy in batteries is also an option. Here, FuMA-Tech is focusing on developing separators for large-scale electrochemical storage devices in the MW range and developing membranes for redox flow batteries. In a flagship project with DECHEMA as well as the Universities of Hamburg, Aachen and Erlangen, separators for a new type of tubular battery are being developed. In 2014, the vanadium redox battery (VRB) in particular achieved major commercial importance for storing solar electricity in household applications and above all for storing regenerative energy from wind turbine and solar plants in the MW range. The short-term market potential of VRB is already estimated at 200 MW.

Sustainability – For You and Planet Blue.

The mission of BWT – For You and Planet Blue

Water is the global challenge of the 21st century. With our rich corporate culture and broad range of water treatment systems and services for a wide variety of applications, we do our bit to meet people's needs for high-quality drinking water, health and well-being. Ever since the company was founded in 1990, the letters BWT – Best Water Technology – have represented the goal, mission and solution of our global challenge – water treatment with responsibility.

"BWT – For You and Planet Blue." conveys our claim to take ecological, economic and social responsibility to offer our partners and customers the best products, facilities, technologies and services across all water treatment applications and at the same time to make a valuable contribution to protecting the worldwide resources of our blue planet. We are convinced that sustainability is a major driver of innovation.

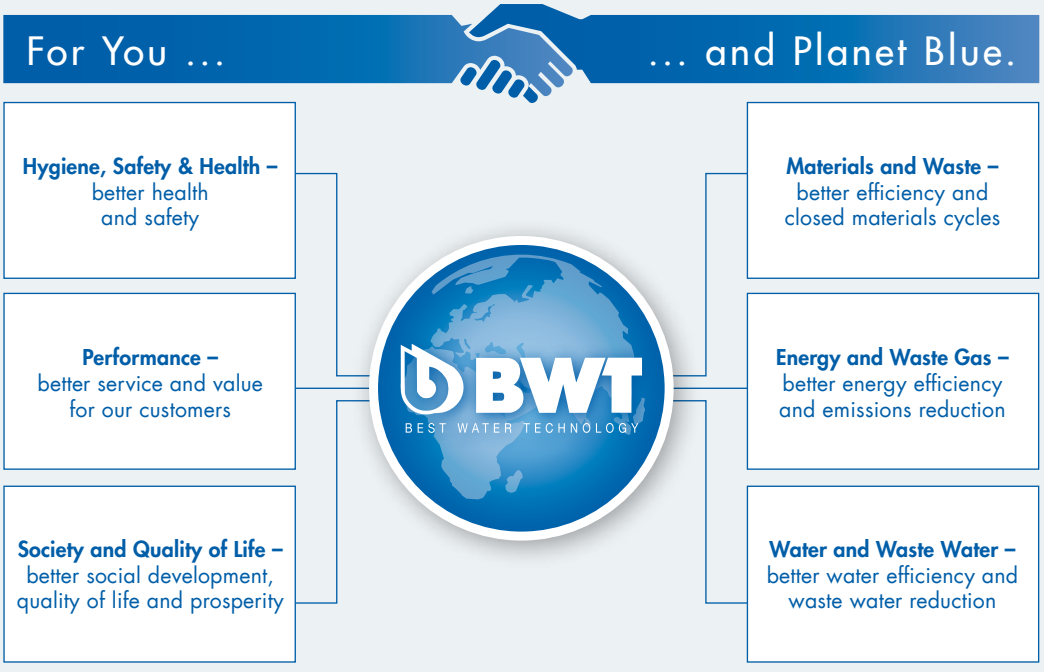
Sustainabilty as part of BWT´s corporate culture

BWT´s corporate culture represents our basic values that we trust on in particular. Closely associated with this is our goal of pursuing long-term, entrepreneurial sustainability in all activities throughout the value chain. Along the path to this goal, we have anchored our mission in our company concept, which encapsulates our corporate and brand values and serves as a guiding light to our 2,600 employees.

Considering the projections that have been made, we can assume that the significance of the raw material that is water will grow considerably in future years from a political, social and economic perspective. In society as a whole, ever-faster population growth combined with the increased demand for food and energy as well as increased water contamination pose challenges that must be overcome. At an individual level, changing consumer behaviour combined with more stringent water quality requirements are key growth drivers in the water industry. However, in many regions the supply of freshwater from the ecosystem is reaching its limits ("water stress") due to overuse. The global task essential in order to preserve sustainable life on Earth is therefore to break the link between growth and quality of life on the one hand and emissions and the consumption of resources on the other. Our contribution as a company lies in the development of water technology products and services aimed at supplying the best possible water, regardless of source, using fewer and fewer resources while maintaining or improving service levels.

"For You and Planet Blue" in our areas of activity

In keeping with our mission, we have therefore defined six strategic areas of activity by which to measure our actions. The category "For You" encompasses our social and economic sustainability and comprises the provision of products and services as well as initiatives relating to hygiene, health and safety, quality of life and society. "For You" is therefore directed towards all our stakeholders. The category "and Planet Blue." integrates the ecological dimension of sustainability. The conservation of resources measured by material input and waste, energy and emissions as well as water and wastewater act as guidelines governing our business operations.



In the area of technology innovation and product development, this model forms an important foundation. The model is supplemented by the BWT Group's Code of Conduct, which sets out clear guidelines for our employees regarding our moral and ethical values in accordance with which we perform our daily work. Where necessary, the Code of Conduct is supplemented by further-reaching voluntary and statutory regulations, including the BWT Compliance Guidelines, the Corporate Governance Regulations according to the Austrian Working Group for Corporate Governance, the Management Handbook, the IT Policy and several other international and locally applicable guidelines.

Compliance

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

Our stakeholders

It is essential that we consider the interests of all our key stakeholders to ensure the long-term success of our company. The BWT Group has identified its stakeholders and maintains close dialogue with all of its key stakeholders.

Our most important stakeholders are customers and partners such as wholesalers, installers, planners and architects, employees, suppliers, the environment, society (authorities, social security associations, the public) and capital providers such as investor and banks. The following overview shows the company departments engaged in dialogue with stakeholders along with the stakeholders in question:

BWT operating function	Stakeholder	BWT stakeholder and their dimension
Finance	Capital providers (Investors, Banks)	One major shareholder, 79.7%, free float 14.3%, treasury shares: 6.0% some institutional investors, and retail investors, banks; total €5.7 million in dividends, interest and similar expenses
Personnel	Employees	2,587 employees (FTE) worldwide, thereof 98% in Europe, staff costs: €165.0 million
Research & Development	Environment, customers and partners	Economically and ecologically optimised water treatment products and processes, direct R&D expenditure €9.7 million
Purchasing	Market partners (Suppliers)	Procurement volume: €306.8 million, several thousand suppliers
Production	Environment	Four main production sites: Mondsee (A), Schriesheim (D), Paris (F), Aesch (CH); new investment: €25.4 million
Marketing & Service	Customers and distribution partners	Revenues: €505.3 million from wholesale, retail, industry and municipality customers as well as planners and architects, municipalities
BWT Group overall	Society	Authorities, social insurance providers; taxes, statutory payroll and social security charges, financial contribution: €40.9 million

Sustainability progress report 2014

For its sustainable success the BWT Group invests in infrastructure, research and development and the development of its brand. The extensive programme of investment in facilities and infrastructure that began in 2011 was completed in the 2014 financial year. New production, logistics and R&D capacity was created at the company's headquarters in Mondsee, Austria, with a focus on Point-of-Use. A cutting-edge pharmaceutical and membrane technology centre with state-of-the-art standards for research, development and production was built at the Bietigheim-Bissingen location in Germany. The BWT Group has leading R&D expertise in all areas of water treatment. We are ensuring our technological lead with innovations in the field of R&D. Our marketing investments were systematically continued to establish BWT on the market as the "water brand".

Investment programme at headquarters in Mondsee completed

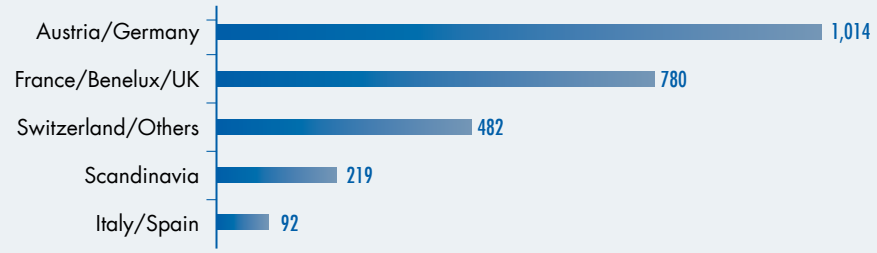
The Mondsee location is the headquarters of the BWT Group. At the same time, this location is also where the most important Austrian subsidiaries are based. There are over 500 employees in Mondsee. As part of the largest investment programme in the history of the company, extensive new capacities for the areas of research and development, production and logistics were added to the location in recent years. The energy supply was switched to energy sources that are mostly renewable as part of the expansion work. Process heat is used for building heating. In the course of the expansion work, 33,000 m2 of the purchased green areas were set aside for nature conservation to ensure the long-term protection of the bordering swampland.

Employees

Employees are the most important factor in the company's success. BWT offers a range of challenging and fascinating career opportunities – the areas of activity extend from basic researchers to product developers, from process engineers to production workers and fitters to marketing and sales specialists and the staff in the internal service departments. Good training is a top priority at BWT. A total of €833 thousand was spent on employee training in the reporting year (2013: €775 thousand).

At the end of 2014 the BWT Group employed 2,587 people (based on full-time equivalents). This marks a decline of 56 compared to the previous year, mainly as a result of company disposals in the reporting year. Approximately 40% of the workforce is located in Austria and Germany and 30% in France, Benelux and the UK. The remaining percentage is distributed across other regions.

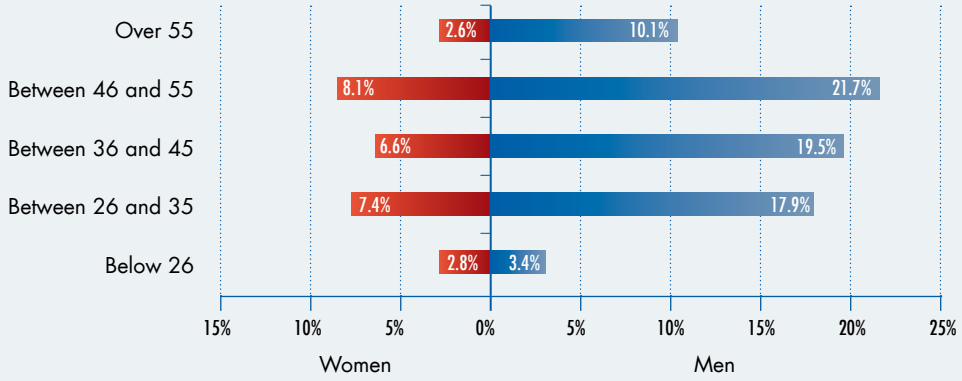
Employees, regional breakdown



According to preliminary figures, the share of female employees was virtually unchanged as against 2013 at around 28%. The reason for the higher share of male employees lies in the technical orientation of our business area. Equal opportunities in the workplace and equal treatment of employees are self-evident for the BWT Group. Measures to provide opportunities for women include the increased involvement of women in internal training and support schemes, opportunities designed to facilitate the work/life balance with flexible working time models (e.g. part-time work) and the option of working from home.

The average age of the staff of the BWT Group was unchanged in 2014 at around 40 for women and around 42 for men. There are also only minor differences in terms of gender distribution among the various age groups. The age group with the highest share of employees is between 46 and 55. Employee turnover was around 10% in the reporting year.

Employees, age structure by gender, share of staff

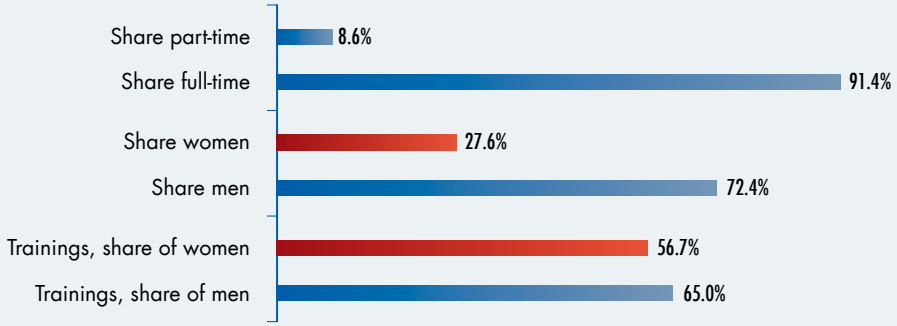


The share of part-time staff was unchanged year-on-year at around 9%. Also unchanged since the previous year according to provisional figures, around 63% of staff took part in internal or external training. Absenteeism averaged nine days per employee in the year under review. The most important tasks for the future include the further improvement of occupational health and safety measures and reducing turnover.

In the BWT Group, Workplace Councils ensure that employees' interests are adequately represented. Continuing in the tradition of the years since the company's founding, 2014 did not see any strike action or industrial disputes. To appeal to as many young people as possible, BWT goes into schools and organises company tours, provides support to teachers of specialist subjects and gives talks on specialised topics. Parallel to this, long-standing partnerships exist with vocational training colleges and universities.

The BWT Group's policies are based on the BWT Code of Conduct and Compliance Guidelines, plus the Rules of Procedure for management at all companies of the BWT Group. The BWT Code of

Employees by gender/mode of employment



Conduct gives employees guidance on legally compliant and ethically sound behaviour, including regulations on accepting gifts and dealing with co-workers and business partners. An e-learning tool is used to assist in compliance training. Local management is responsible for compliance with guidelines at its own respective BWT subsidiary. Among other things, the Rules of Procedure for management emphasise the need for strict compliance with the provisions outlined in the management handbook, which defines all relevant regulations and provisions for the management of the BWT Group.

BWT Magnesium Mineralizer – the ecological alternative to bottled water

Mineral water out of the bottle is fashionable. In Germany, for example, 140 litres of bottled water are consumed per person each year – with negative environmental effects. OVGW, the Austrian Association for Gas and Water, defines the CO2 footprint of bottled water as being at least 200 to over 1,000 times higher than that of tap water. The work involved in water extraction, treatment, filling, packaging, transport and disposal for bottled water has a negative effect here.

The BWT Magnesium Mineralizer table water filter offers an ecological alternative to this. The patented magnesium technology filters tap water and enriches it with the valuable mineral magnesium. The addition of magnesium keeps the mineral levels of the water in balance. The result is a nearly neutral pH value that connoisseurs of high-quality mineral water find to be particularly pleasant tasting and soft. A single cartridge can filter up to 120 litres of water. A further positive effect for health-conscious people: Drinking 2.5 litres of BWT water mineralized with magnesium daily automatically ensures that you are receiving 20% of the recommended daily intake.

Customers

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

The establishment of the "BWT" brand among consumers and the associated development and expansion of the Point-of-Use business area are an integral part of BWT's sustainability strategy. The Point-of-Use division, which was already responsible for 11.4% of consolidated revenues in 2014, acts as a catalyst for the BWT Group as a whole and is implemented at all levels of the company to provide impetus for development. Specifically, all the other product segments and partners are set to benefit from the new Point-of-Use business areas and from greater brand awareness of BWT ("push-pull strategy").

The development and expansion of our ("drinking water professionals") partner network in the Point-of-Entry product areas continued in 2014 as well. The network now comprises around 2,500 BWT drinking water professionals who, as qualified specialists, install BWT products for consumers in Germany and Austria. The expansion of sales is continuing in the Point-of-Use area and international sales as well.

Experience BWT pearl water up close

Silky-smooth pearl water from BWT does more than just ensure soft skin and silky, shiny hair, cuddly soft clothes, and clean shower walls and fittings. It also protects the environment! A BWT water softener saves energy, protects the building's installations, and extends the life of domestic appliances. The amount of detergent or cleaner required is reduced by 50%, which facilitates wastewater treatment and reduces the environmental impact. As of February 2015, 25 BWT pearl water consulting centres will be opened gradually throughout Austria and Germany. This will give end consumers the chance to experience the benefits of silky-smooth BWT pearl water up close.

Certification gives business partners and customers the confidence that we work to the very highest standards. Group-wide, 17 locations were certified in accordance with quality management system ISO 9001 and seven in accordance with environmental management system ISO 14001 in the reporting year. The systematic tracking of quality and environmental performance indicators ensures the constant evolution and continuous improvement of all process at the respective subsidiaries.

Suppliers

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

Economy

From an economic perspective, too, sustainability is one of the great challenges of our time. We are making the vision and corporate goals of the BWT Group a reality in the long term with our growth strategy. Solid accounts, a low leverage ratio, a high equity ratio and investments in R&D, infrastructure and brand development represent a firm basis for optimally exploiting our potential on the growth market for water treatment systems. In the long term the Group is striving to finance itself from its own cash flow.

Growth through innovation is one of the main pillars of the BWT Group's growth strategy. BWT develops cutting-edge processes and products in water technology, which not only represent the very latest in technology but also, in many cases, set new standards in safety, health and hygiene. In 2014 the Group spent €9.7 million on its various research and development activities (2013: €8.2 million).

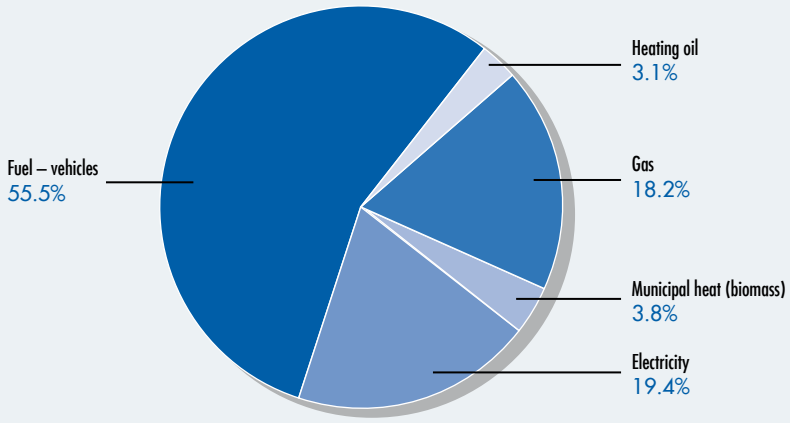
BWT OsmoVision, the new generation of the world's first and top-selling fully integrated pharmaceutical water system, was developed further for water treatment for our global pharma and biotech clients. The total water yield was therefore increased to over 85%. The new filter cartridge range, "Bestmax Balance", was introduced in the Point-of-Use product segment, and is being used to prepare virtually neutral drinking water – the first of its kind to contain no traces of silver, sodium or potassium – for the vending industry and for coffee machines in the food service industry. When using BWT "bestmax BALANCE", a six-stage filtering process reliably prevents the release of heavy metals and silver-induced corrosion in coffee machines and hot beverage equipment, which prolongs the life expectancy of these machines. Innovative BWT products again received a number of prizes and awards in the reporting year.

Environment

Within the context of the existing quality and environmental management certification (ISO 9001 and ISO 14001), a particular emphasis is placed on energy consumption, waste prevention and recycling. Major successes were achieved with the optimisation of logistics, but energy consumption has increased in absolute terms due to expansion – albeit with sustainable energies. The share of renewable energy sources at the main site in Mondsee is around 95% for heating and 70% for electricity. The new location in Bietigheim-Bissingen sets a high ecological benchmark with its state-of-the-art insulation and intelligent building technology, including a system that draws energy from production facilities to heat office space in winter and a grass-covered roof that provides natural cooling in summer.

For its professional waste management, BWT has agreements with licensed scrap material companies for the collection and environmentally sound disposal of waste in all countries where its production plants are based. For example, virtually all brass and cardboard packaging are already recycled.

Energy use in the BWT Group (%)



According to provisional figures, the energy consumption of the BWT Group was around 62.5 GWh in 2014. At around 56%, the largest share of this relates to fuel consumption for the company's large fleet of vehicles. Heating accounts for a quarter of energy consumption and electricity for around a fifth. The share of biomass as a renewable energy source increased slightly compared to the previous year.

The breakdown of CO_2 mirrored this, with the highest share of around 60% again largely relating to the company's fleet of vehicles, while most of the remainder can be attributed to building heating. In 2014 a total of around 15,000 tonnes of CO_2 were emitted, 12,800 tonnes of which directly and 2,200 tonnes indirectly (electricity). The slight increase as against the previous year (around 14,200 tonnes) is mainly due to the expansion of operating facilities. Relatively speaking, however, the acquisition of new, more efficient vehicles for the company's internal fleet and the state-of-the-art new buildings mean that the situation has improved.

A new supplier was brought in for the BWT fleet (around 1,200 vehicles) in the reporting year. The new vehicles have reduced emission values and lower fuel consumption, hence the BWT fleet is expected to generate lower CO_2 emissions in the years ahead.

Society

As a taxpayer, the BWT Group paid around €8.6 million in income taxes in 2014 (previous year: €7.3 million); its tax rate was 45% (previous year: 40%). Furthermore, other taxes and levies amounted to €3.2 million (previous year: €3.2 million) and statutory social security contributions amounted to €29.1 million (previous year: €29.6 million). A total of €40.9 million was therefore paid directly to public funds and social security institutions.

As in previous years, the company again supported national and international relief projects in 2014, making financial donations and aiding projects in emerging countries (e.g. building wells in Cambodia or AIDS relief in Kenya) in addition to helping to alleviate hardship for employees and others in the region. It also supported sports clubs and young sportspeople through sponsoring initiatives.

Hygiene, safety and health and an assured supply of drinking water are of key importance to the development of our society. As a supplier of state-of-the-art water technologies, BWT makes a significant contribution in this area.

Support for people in need

BWT decided not to buy Christmas presents for our employees, customers and partners in 2014, but instead to donate more generously to people in need. A total of 250,000€ was given to ten regional and global aid organisations. The largest share of the donation went to Médecins Sans Frontières, Austria. The organisation provides emergency medical assistance in countries where health infrastructures and systems have collapsed or where entire population groups receive inadequate medical attention. Médecins Sans Frontières operates on a strictly independent and impartial basis and has access to crisis areas and war zones. Their activities are wide-ranging and include rebuilding and commissioning hospitals and medical centres, setting up mobile clinics to serve rural areas, vaccination programmes, medical care in refugee camps, psychological counselling, installing food centres and delivering water and sanitation projects. An urgent focus of their current activities is the fight against Ebola as well as activities in Syria, Yemen and the Central African Republic.

BWT WATER IS ...

ultrapure

Water must be flawless, because it is the basic raw material in pharmaceutical and personal care products, both in biotechnology and the watch, optics and precision engineering industries, because these highly sensitive sectors demand state-of-the-art technology and decades of experience in water technology. It's no accident that the BWT Group is the global market leader in this area, as we are constantly working to develop new technologies to reduce the chemical additives to a minimum in the production of ultrapure water qualities. The BWT SEPTRON Biosafe combines the highest quality and environmental protection - the system produces highly purified water - entirely chemical-free!

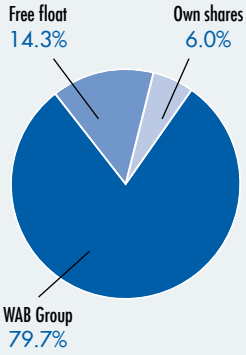
BWT SEPTRON Biosafe

The BWT Share

Data and facts about the BWT share

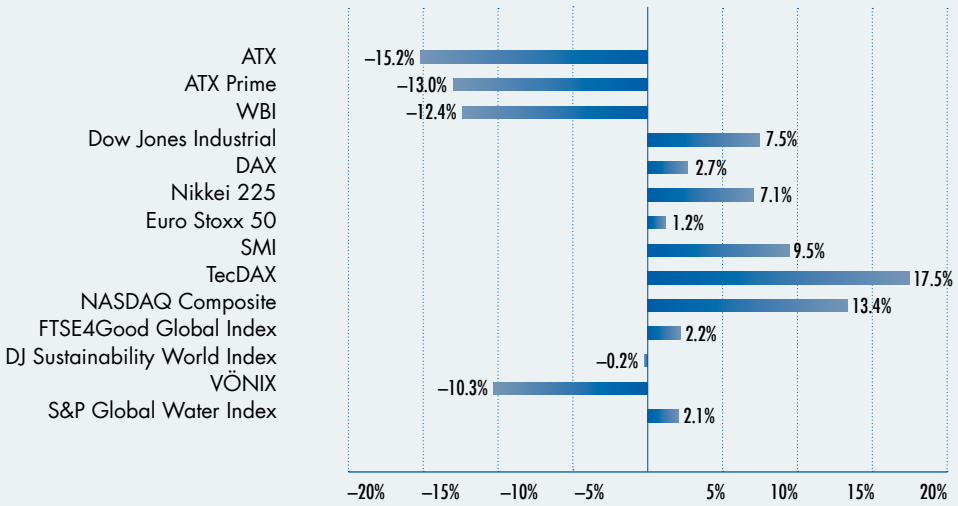
Number of shares	17,833,500 shares[1)] issued to bearer
Free float (31 Dec. 2013)	14.3% as at 31. Dec. 2014
ISIN	AT0000737705
Bloomberg code	BWT AV
Reuters code	BWTV.VI
Main trading center	Vienna Stock Exchange
2014 low	€15,00 (as at 25. Mar. 2014; 2013: €12.10)
Average price 2014	€16.35 (2013: €14.56)
2014 high	€18.00 (as at 04. Sep. 2014; 2013: €17.17)
Year-end price 2014	€17.06 (2013: €15.25)
Market capitalization	€304 million (as at 30. Dec. 2014; 27. Dec. 2013: €272 million)
Trading volume per day	7,185 shares (double counting, Vienna Stock Exchange, 2014)
Trading turnover per day	€122,621 (double counting, Vienna Stock Exchange, 2014)
Index membership	WBI, VÖNIX

Shareholder structure (Dec. 2014)



[1)] *Thereof 1,073,418 treasury shares as at 31 December 2014*

Index performance 2014



Information per share	2014	2013	Change
Earnings (€)	0.61	0.64	–5.5%
Dividend (€)	0.10*	0.28	–64.3%
Book value (€)	10.20	10.30	–1.0%
P/E maximum	29.5	26.8	–
P/E minimum	24.6	18.9	–
P/E year-end	28.0	23.8	–

** Proposal to the Annual General Meeting*

Share performance in 2014

The global economy has not yet recovered fully from the after-effects of the financial crisis. Growth rates were sluggish in 2014 in Europe and Japan. China, too, posted the lowest growth rate on record for over 20 years. By contrast, the US economy posted strong growth. From the middle of the year onwards, global political crises such as those in Ukraine and the Middle East began to have a palpable effect on the financial markets, with the sharp drop in the crude oil price also impacting. In terms of monetary policy, 2014 was characterised by extremely relaxed policies at both the Fed and the ECB. Overall, 2014 was a good year for the major international stock exchanges, with the Dow Jones having a slight lead over the key European stock markets. The technology stock indices such as the TecDAX and the NASDAQ performed in a particularly positive fashion.

The Dow Jones Industrial Average started off 2014 with 16,576.66 points, before posting the annual low at the start of February with 15,372.8 points. The positive economic data in the USA combined with the continuation of the relaxed monetary policy of the US Federal Reserve saw the Dow Jones climb above the threshold of 18,000 points for the first time in its history before Christmas. The index hit the annual high on 26 December with 18,053.71 points, before closing the year at 17,823.07 points. The US leading index thus posted a gain of 7.5% over the course of the year.

The German share index (the DAX) had a turbulent year in 2014 and did not keep up with the Dow Jones. It started the year at 9,552.16 points, before hitting a record 10,000 points for the first time in its history in June. Uncertainty on the markets, particularly in the crisis regions of Ukraine and the Middle East, and the rapid drop in the oil price brought the positive performance to a halt in the second half of the year. In the middle of October, the DAX dropped to 8,571.95 points before picking up again and achieving its annual high on 5 December with 10,087.12 points. The DAX closed the year at 9,805.55 points, putting the annual performance at 2.7%. This constitutes a modest result compared with previous successful years and also with the 25% gain posted in the previous year.

After a good start to the year, the leading index in Vienna (the ATX) moved from 2,546.54 points at the beginning of the year to its annual high of 2,729.07 points on 15 January. However, from the middle of the year onwards the ATX showed a downward trend. Bank shares with a strong Russian focus and oil shares in particular came under considerable pressure. The ATX hit its low of 2,032.13 points in the middle of October, before finally closing the year at 2,160.08 points. The ATX thus fell 15.2% over the course of the year, posting a disappointing performance compared with international stock markets such as New York and Frankfurt.

There were 88 trading members directly admitted to the Vienna Stock Exchange in 2014. As at the end of December 2014 market capitalisation was around €80 billion, down slightly on the year-end figure for 2013 (€85.4 billion). By contrast, at €3.98 billion the average monthly trading volume in 2014 was higher than in 2013 (€3.24 billion). Share sales activities in 2014 increased by around 23% on the previous year as a result. The cash inflow of around €4 billion from an IPO and four capital increases in 2014 also had a positive impact.

The key sustainability indices posted moderate performances in the reporting year, most of them registering only modest gains. The VÖNIX (VBV Austrian Sustainability Index) performed poorly by contrast. However, the decrease of around 10% was lower than that of either the ATX or the ATX Prime.

At the end of 2014, according to information published by the Sustainable Business Institute (SBI), a total of 393 sustainable public funds were approved for sale in German-speaking countries (Germany, Austria and Switzerland). The volume of funds stood at around €47 billion. At the end of 2013, the SBI registered 383 sustainable public funds invested with a total volume of approximately €40 billion. The volume invested in sustainable public funds in Europe was placed at €127 billion in mid-2014, which equates to an increase of 17.6% on the previous year. The number of sustainable public funds in Europe increased from 922 in the previous year to 957. The key water investment funds posted positive development with growth of 15%.

The BWT share began 2014 at €15.25, before initially moving sideways. The annual low of €15.00 per share was posted on 25 March and the share hit its annual high of €18.00 on 4 September. At the end of the year, the price of the BWT share stood at €17.06, equating to market capitalisation of roughly €304 million. The annual performance of the BWT share was +11.9%.

The fifth share buyback programme of BWT Aktiengesellschaft was concluded on 9 January 2014. As part of the share buyback programme, a total of 520 treasury shares (equating to 0.0029% of the outstanding shares) were repurchased at a share price of €14.00, with the last acquisition to date occurring on 20 September 2013. Including the shares from previous share buyback programmes, BWT Aktiengesellschaft has invested €19.4 million and as at the end of 2014 now holds 1,073,418 shares, or 6.0% of the total outstanding shares.

On 15 September, Aqua Invest GmbH, a company indirectly controlled by WAB Privatstiftung, published a voluntary public offer in accordance with Sections 4 et seq. of the Übernahmegesetz (ÜbG – Austrian Takeover Act). The offer was aimed at the acquisition of all BWT Aktiengesellschaft shares admitted for trading on the Official Market of the Vienna Stock Exchange that were neither owned by the bidder nor in concert with its preceding legal entities or BWT Aktiengesellschaft (3,612,865 shares in total). The offer had a two-week acceptance period, which ran from 15 September 2014 until 29 September 2014. The offer price was €17.00 per share.

The offer was accepted for a total of 1,080,223 BWT shares before the acceptance period expired. This corresponds to roughly 6.1% of the share capital. The WAB Group thus now holds a total of 14,205,880 shares equating to around 79.7% of the share capital. The free float of around 14.3% is held by Austrian and international investors. BWT's shares are listed on the Standard Market Auction of the Vienna Stock Exchange under International Security Identification No. AT0000737705.

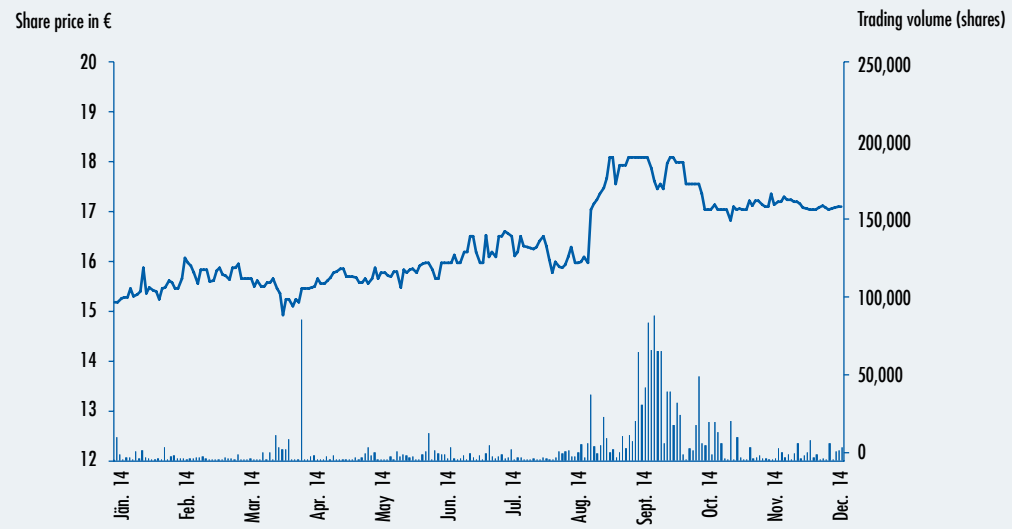
In 2014, earnings per share declined by 5.5%, moving from €0.64 in the previous year to €0.61. In the 2014 financial year, a total amount of €4.7 million was distributed for the outstanding shares, which corresponds to a dividend of €0.28 per share. The payout ratio was 46%. The Management Board will propose a dividend payment of €0.10 per share at the next Annual General Meeting.

Investor Relations

The objective of our IR work is to present as true and fair a picture as possible of the company and its potential for development in its markets, therefore creating a good basis of information on which to arrive at a sustainable decision to invest in our company. A transparent information policy, our commitment to the Austrian Corporate Governance Code and an active approach towards investors form an integral part of this strategy.

Sustainability and corporate social responsibility have become ever more important aspects of our IR work in recent years. In the reporting year, BWT Aktiengesellschaft was again listed on the VÖNIX (VBV Austrian Sustainability Index). VÖNIX analyses around 60 Austrian companies listed on the Vienna Stock Exchange and rates them according to approximately 100 environmental and social criteria. 22 companies were included in the latest composition of the VÖNIX. This is the tenth subsequent year that the BWT share has been listed on this sustainability index, meaning that it has been listed without interruption since VÖNIX was first established in June 2005.

BWT share performance chart for 2014



Source: Wiener Börse AG

Information and contact:

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E-mail:	investor.relations@bwt-group.com

Corporate Governance Report

pursuant to para. 243b UGB (Company Act)

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

BWT complies with the Austrian Corporate Governance Code, a regulation framework of standards for sound management and supervision of the company. This includes the standards of good corporate management common in international practice (OECD Principles, EU Transparency Directive) but also the important significant provisions of Austrian corporation law in this respect (Börsegesetz, Gesellschaftsrechtsänderungsgesetz 2013, Unternehmensrechtsänderungsgesetz 2008). This enables a high level of transparency for all stakeholders of the company. The Code is publicly accessible on the homepage of the Austrian Working Group for Corporate Governance on www.corporate-governance.at.

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

Following the update in 2015, the new Corporate Governance Code 2015 has now come into force. The main amendments to the revised Code concern the implementation of the Recommendation of the EU Commission of 9 April 2014 on the quality of corporate governance reporting ("Comply or Explain") and the consideration of the new comment letter of AFRAC (Austrian Financial Reporting and Auditing Committee) on the drafting and auditing of corporate governance reports pursuant to Section 243b of the Austrian Commercial Code (UGB).

The Code comprises three rule categories:

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

BWT applies the Corporate Governance Code in the version January 2015 in full with the following explanations:

The Executive Board

The Management Board consists of Mr. Andreas Weissenbacher, born 1959, Chairman of the Executive Board since 8/1/1991 of BWT AG; Mr. Weissenbacher is responsible for the operational business and for the departments Research & Development, Purchasing, Human Resources, Marketing and Investor & Public Relations. Mr. Gerhard Speigner, born 1960, since 1/5/1996 Chief Financial Officer is managing the departments Finance, Controlling, Treasury, Business Analysis, Information Technology, Law, Taxes & Risk Management. Both members of the Management Board are appointed until 20/9/2015. This organization allows a high flexibility and an efficient operation in the Management Board. None of the members of the Management Board of BWT AG assumed any other supervisory board mandates or similar functions in domestic or foreign stock listed companies in the period under review.

The Supervisory Board

The Supervisory Board is composed of five members with high and long term personal qualification and experience in business administration and legal affairs elected by the General Meeting. All members are Austrian citizens.

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

None of the members of the Supervisory Board of BWT AG assumed any other supervisory board mandates or similar functions in domestic or foreign stock listed companies in the period under review.

Independency of the Supervisory Board

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

Committees and activities of the Supervisory Board

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

Apart from the Audit Committee there are no other committees established by the Supervisory Board of BWT AG. The duties of a Nomination and Remuneration Committee are assumed by the entire Supervisory Board. The following persons of the Supervisory Board form part of the Audit Committee: Dr. Bednar as Chairman, Ms. Egger and Mr. Reicher. The Audit Committee held 2 meetings in the year 2014 at which the year-end accounts and analysis and the internal control, revision and risk systems were discussed. The auditors attended both meetings.

In the year 2014, the Supervisory Board held 4 ordinary meetings. The average rate of presence was 90%. The main activities of the Supervisory Board in the reporting period are detailed in the Report of the Supervisory Board.

Internal auditing

The internal auditing duties are being performed by the departments Group Finance and Group Business Analysis, ICS and Risk Management. The Management and Supervisory Boards are given regular reports about important results of these activities.

Report on the compensation of the Management Board

Management Board compensation is determined by the scope of duties, responsibility and the personal performance of the Board Member as well as the achievement of company targets, size and the economic health of the company. At BWT AG performance-related compensation is not made with share options, but dependent on long-term and sustainable performance criteria. These include predefined goals regarding company results, qualitative and quantitative goals.

In 2014, 93.8% of the total remuneration of the Management Board was fixed and 6.2% performance-related. No value has been determined for the variable maximum. The compensation of Mr. Andreas Weissenbacher amounted to € 449.9 thousand and of Mr. Gerhard Speigner to € 286.0 thousand. There is no company pension plan. There are also no Management Board entitlements or individual legal rights should the function be terminated. There is a valid liability insurance protection for the management of the Group (D&O insurance).

The duties of the Remuneration Committee are assumed by the entire Supervisory Board. Relevant knowledge and experience about compensation policy is contributed in particular by Dr. Bednar.

Report on the compensation of the Supervisory Board

Compensation of the Members of the Supervisory Board was determined by the Annual General Meeting on May 19, 2014, for the financial year 2014. The members of the Supervisory Board received expense reimbursements totalling € 60,000 for the activities during the 2014 financial year (2013: € 60,000). The basic remuneration for the Members of the Supervisory Board amounts to € 10,000 (2013: € 10,000) per person, for the Chairman € 30,000 (previous year: € 30,000). Mr. Ekkehard Reicher declined reimbursement for expenses. Beyond that, there were compensations of travel costs.

Measures to provide opportunities for women in the Management Board, Supervisory Board and in top management positions

It goes without saying that BWT acknowledges equal opportunities at work and equal treatment of employees. Measures to provide opportunities for women include a special focus on women in internal training and support schemes and opportunities to facilitate the balance of work and family life through flexible working time models (e.g. part time work) and home office options. Female employees make up roughly 10% of the management of the BWT Group and 20% of the Supervisory Board.